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April 01, 2022

To,
Shri Sanjeev Kumar Sharma
Advisor (BB&PA)
Telecom Regulatory Authority of India
Mahanagar Doorsanchar Bhawan
Jawaharlal Nehru Marg, New Delhi 110002

Subject: Comments on Consultation Paper dated 11th February 2022 on 'Promoting Networking and Telecom Equipment Manufacturing in India.'

Dear Sir,

Please find attached comments of Reliance Jio Infocomm Ltd. on the consultation paper dated 11.02.2022 on "Promoting Networking and Telecom Equipment Manufacturing in India".

Thanking you,

For **Reliance Jio Infocomm Ltd.**

Kapoor Singh Guliani
Authorized Signatory

Enclosure: as above.

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Reliance Jio Infocomm Limited's comments on TRAI's Consultation Paper dated 11.02.2022 on 'Promoting Networking and Telecom Equipment Manufacturing in India'

1. At the outset we thank the Authority for inviting stakeholders' inputs on Consultation Paper on 'Promoting Networking and Telecom Equipment Manufacturing in India' ('CP'). We understand that the scope of current CP is limited to seeking views of stakeholders on various financial incentives and fiscal/non-fiscal incentives that can be offered for promoting Networking and Telecom Equipment Manufacturing (NATEM) in India.
2. We believe that Indian Networking and Telecom Equipment (NATE) manufacturers suffer from various cost disabilities like cost of infrastructure and logistics, lack of sufficient fiscal incentives and ease of doing business when compared to other major NATE manufacturing and exporting countries like China and Vietnam, whose prominence in global market has risen significantly in last decade. To cater to the aspect of development of the indigenous industry, policy focus towards making Indian manufacturers competitive by providing suitable incentives and progressive schemes will be required. This will not only scale up indigenous manufacturing to meet Indian demand but will also help in competing with international giants both in domestic and global market.
3. As rightly identified in the CP, promoting NATEM in India has two aspects, the first being to attract the global leaders to manufacture in India and the second to develop indigenous industries. While the Government has initiated efforts to attract global leaders to manufacture in India through significant steps like PLI, **we believe that a lot more needs to be done to ensure growth and development of domestic manufacturers in the sector.**
4. We agree that robust NATEM sector is a prerequisite in view of growing security concerns regarding data privacy and overarching geopolitical concerns surrounding personal data protection and national security. Accordingly, **DoT had issued amendments in licenses in March 2021 for procurement of NATE from trusted sources for ensuring security of telecom networks. We submit that the same should be extended to all data related network hardware and software procurement** by relevant stakeholders in the data ecosystem in the country, as data is the prevalent mode of communication and information exchange in current digital times and pose similar threat to individual and national security as that by telecommunication. Although such mandates, as have already been done for telecom equipment by DoT should allow required relaxation for stakeholders for the CoVID times as the on-ground supply chains were severely impacted during such times.
5. While the Authority plans to come out with a separate consultation process for promoting R&D in the sector, as mentioned in the CP, we submit that the required fiscal and non-fiscal incentives need to keep significant focus on promoting R&D in the country. We believe that

the development of robust NATEM sector in long run in the country is dependent on development of strong R&D capabilities in the country along with the push required for hardware manufacture. Absence of incentivization of R&D in the country will lead to development of contract manufacturing instead of true long-term development of manufacturing capability in the country.

6. We agree with the Authority that beyond the development of a domestic manufacturing industry in the country, the manufacturers also need a sustainable market to remain relevant. We submit that Government should support development of demand for products that are made in India through provisions of incentivizing players in domestic market and extending credit lines to support cash flows of domestic and global buyers, in line with global practices.
7. It is important that there is an effort to develop whole spectrum of NATEM in the country, i.e. finished goods, sub-assemblies, components including semiconductor and supporting software. Even though the components are a large fraction of product cost, still very few are made in India at present. Majority are still imported and assembled in India, leading to increase in final product cost for Indian manufacturers.
8. Please find below our inputs to the questions in CP.

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.

AND

Q2. Whether going beyond PLI scheme, a range of financial and fiscal incentives needs to be put in place to promote NATEM in India? Please elaborate your response.

1. Although PLI scheme incentivizes manufacturing of listed equipment in the country, we note that **any emphasis on core telecom equipment and networks to be designed and manufactured in India is missing in the PLI scheme**. Additional incentives for manufacturing of NATE with Indian technology or IPR owned by domestic companies will give the needed policy thrust on nationally patented R&D-intensive manufacturing (rather than assembled products), which will develop long-term NATEM capability in the country.
2. **We submit that the PLI scheme should encourage co-investment business strategies, nudging foreign companies to forge alliances with indigenous firms** having technology assets; hence creating valuable synergies and technological capabilities for the country across NATE spectrum.

3. Guidelines for PLI scheme caps R&D scheme at 15% of total committed investment. We submit that such restriction will discourage companies who intend to invest in R&D for product development and may incentivize only contract manufacturing or product assembly in the country. We request that **the cap should be increased to 50% for domestic companies to promote indigenous product development.**
4. In the current era of intelligent/smart equipment new product development happens on top of the intelligence derived from data obtained through network devices and equipment. Data analytics play a critical role in the design stage itself, for bringing new products with more intelligent functions to the market. We submit that to reduce the foreign dependence in long run, additional incentives should be directed towards development of nationally owned product designs (including software/algorithms) using Indian data; and the scheme should not be limited to just promoting 'manufacturing of good'.
5. At present, the eligibility for PLI under all 4 categories in the PLI is same across categories. It is an established fact that the supply chain ecosystem for NATE is highly diversified, and it is not practical for one OEM to have product portfolio range or competitive technology presence across entire ecosystem of NATEM. Hence, we submit that segmentation of base year global revenues and cumulative incremental investment should be different for different product segments, possibility in decreasing order for Core, Access, CPE and IoT. Although for an entity participating in multiple categories higher of the above categories can be used.
6. The eligibility criteria, as per PLI scheme guidelines, includes both hardware and software. Although scheme's architecture only envisages manufacturing of goods and software is not covered in specified list of telecom and networking products. A separate focus for software solutions and products in the various schemes and incentives can benefit software products development in India. We suggest that the same should be allowed for in the PLI scheme.
7. While the benefit under the PLI scheme provides incentive to finished goods, it would also be important to develop component manufacturing ecosystem in the country in the coming years to support manufacturing. We understand that such scheme has been introduced by the Government in the past. We suggest that **PLI scheme to develop diverse component manufacturing should be introduced, in addition to finished good manufacturing;** it will realize true intent and potential of the initiative. A thriving component manufacturing would support finished good manufacturing especially in times when the supply chains are impacted like in recent past due to the pandemic.
8. The product specific test systems for NATEM have two aspects:
 - a. Standard test modules like Spectrum Analyzers, Network analyzers, Signal generator, Oscilloscopes, Pulse generators, RF Shield boxes etc.

- b. These standard tester modules are then configured to together as test rack including fixtures, cables connectors, test script and software to connect to DUT (device under test) and test operator interface based on manufacturing test plan
9. The ecosystem for both the above stated aspects is yet to be developed in India. Therefore beyond the product PLI, policy intervention is required to facilitate the following to promote NATEM in India:
 - a. Development of Test modules in India
 - b. Test system design eco system development that can develop manufacturing product test plan based on product specification and Design.
 - c. Fully equipped test labs at reasonable test cost
10. NATEM involves both generic capex in manufacturing, for instance production machines for PCB assembly and product specific capex like PCBA test, system integration, assembly, and test. Product specific capex requires high investment which is subject to high risk of demand variability. Hence, the amortization of product specific capex needs scale and volumes. We submit that the PLI period should be increased for the same to 7-10 years, from current stated 5 years, in all the related schemes.

Q3. Does the Electronic Development Fund (EDF) meet the requirements of promoting NATEM in India? What are the limitations in EDF for the NATEM sector and how can its scope be enhanced?

AND

Q4. Is there a need for creation of separate funds on lines of EDF or those earlier recommended by TRAI (like TEPF and TMPF) for promoting NATEM in India? What institutional mechanisms should be put in place to govern the fund(s)? Give justification and elaborate on its possible impact on the sector.

AND

Q5. What additional measures are suggested for promoting and supporting the Start-up ecosystem in the telecom sector in India?

1. We understand that the objective of the EDF policy is to support Daughter Funds including early stage angel funds and venture funds in Electronics System Design and Manufacturing ('ESDM'), nano-electronics and IT. Although EDF does not have exclusive focus for the

telecom sector and may not be sufficient to take care of the impending need of venture funding required for promoting NATEM in India. We believe that a distinct focused approach will promote the growth of NATEM in the country.

2. We note that the criteria for selection of Daughter Fund by EDF includes superior investment returns (absolute and relative) and evidence of value creation through operational improvement, among others. Hence **it is likely that the selected daughter funds will not be inclined in investing in nascent firms involved and invested deeply in R&D for development of cutting edge technology with longer gestation period.** We suggest that same should be reconsidered so that the supported Daughter Funds focus on targeted objective to promote innovation, R&D and product development within the country.
3. In India the growth of the start-ups in last decade has been driven primarily by software startups. The start-ups in hardware space are negligible. The major reason for that is the associated high capex and longer gestation period for hardware startups, which in turn require access to difficult to arrange large funds. Further even after developing a prototype, products need longer time to market and mass production becomes a challenge. **Hence the startups for NATE require additional favorable policies and support to meet their inherent disabilities.**
4. We submit there is a need for creation of separate funds on lines of EDF or those earlier recommended by Authority (like TEPF and TMPF) for promoting startup ecosystem in NATEM sector in the country. Research projects having commercialization potential, require funding and mentorship for initial years. They require support for scaling them up to a matured ecosystem, which might take 5 to 10 years also. Hence **there is a requirement for government backed venture capital fund which can promote development of firms which require longer gestation period.**
5. As mentioned earlier, challenges to early stage development include lack of seed funding to develop the concept and prototype, and insufficient physical and support infrastructure. We agree with the Authority that establishing entities like TRDF, as initially suggested by the Authority in its recommendations, to finance R&D projects can address the challenges significantly.
6. The above mentioned funds should be by managed by a multi stakeholder body having representation from government, industry, and academia. Evaluation criteria for investment by such funds should be publicly available for review by the applicants. Such criteria should be non-discriminatory and transparent.

7. Additionally, we submit that special financial instruments may be considered, in addition to above suggested firms, to support the start-ups. Availability of preferential terms can encourage a robust NATE start-up ecosystem. Such options include, among others:
 - a. Ignition grant, which can support early-stage funding, can provide start-ups with financial assistance to validate their technology and convert ideas or technologies into viable products for commercial use.
 - b. Other option can be MeitY's Multiplier Grants Scheme, which aims to encourage collaborative R&D between industry and academic/R&D institutions for development of products and packages through provision of financial support from Government which can be up to twice the amount brought by industry.

8. We submit that following international practices may also be considered by Authority for as-is/modified implementation to promote startups in the country.
 - a. China's one of the key drivers to promote innovation in the country was direct funding of Chinese firms. The Government funded more than 100 government research institutions engaged in various types of R&D related to the production of telecommunications equipment and other high-technology goods.
 - b. The percentage of the tax deductions in China on enterprises' R&D costs is now at 100 percent (from 75 percent). That is, for every RMB 100,000 spent on R&D, the company will be able to deduct RMB 200,000 from its taxable income.
 - c. UK offers R&D tax reliefs offering generous incentives of up to 230% for companies investing in UK research and development projects.
 - d. Taiwan Government supports R&D in the country through R&D tax credit for companies whereby domestic companies receive 10% or 15% of qualifying R&D expenses. The Industrial Development Bureau also offers a subsidy program that can subsidize up to 50% of an approved R&D budget, with no ceiling.

Q6.a. Which of the financial instruments related to project financing, contract financing and credit default insurance currently available in India are being used by the stakeholders and to what extent?

AND

Q6.b. Are these financing instruments able to cater to the needs of NATEM in India?

AND

Q6.c. Are there any suggestions to further improve these financial instruments or are there any new proposed financial instruments that can cater to the needs of NATEM in India? Please provide full details along with justification.

1. Project finance and contract financing have been available for all growth sectors, including telecom sector, for projects which have a predictable cash flow projection. Beyond than the ability of project finance to customize the repayment schedule for the borrowing entity, we suggest that Government should explore **options to allow lower interest for debt extended to NATEM borrowing entity** to promote growth of sector in the country.
2. To ensure easy availability of financing especially to SMEs/startups, Credit Default Insurance providing third-party credit risk mitigation to lenders can be an important policy instrument for easing financing constraints.
3. Availability of attractive credit lines can be instrumental in growth of NATEM in the country. Vendor financing is one of the key options made available to the buyers of telecom equipment by Global NATE manufacturers. A similar arrangement could be established for Indian NATEM. For this it is suggested to establish a master fund to offer credit lines to buyers of telecom equipment (both in domestic and global market) from select Indian ventures. Beyond the above mentioned routes, other options which can be explored for the same by the Government may include the following, among others:
 - a. The Credit Guarantee Scheme for MSMEs
 - b. Export Credit Guarantee Corporation can provide insurance protection to Indian exporters against payment risks
 - c. Institute scheme to offset infrastructural and freight disabilities, such as duty credit scrip, excise payment credit scrip, etc.
4. We note that Under Made in China scheme, state owned banks grant preferential access to capital to domestic companies through subsidies, low-interest loans, and bonds, especially for small and medium-sized enterprises. We suggest similar schemes may be considered for Indian market.

Q7. Whether the existing schemes relating on CAPEX and interest subvention are meeting the requirement of finance for NATEM in India.? Suggest modifications/ new schemes needed if any with details.

1. We note that there are multiple schemes which if renewed or modified, with special focus on NATEM, can be instrumental in promoting growth of the sector. Few prominent such schemes are reproduced below for consideration of the Authority:
 - a. M-SIPS, announced by the Government in 2012 and closed for application in 2018, provided incentive for investments on capital expenditure for both new units and expansion units. In addition, it also allowed for production subsidy @10% of production turnover of select industries.
 - b. Scheme for Promotion of Manufacturing of Electronic Components and Semiconductors (SPECES) provides **financial incentive of 25% on capital expenditure for the identified list of electronic goods for both new units and expansion of capacity/ modernization and diversification of existing units**. Capex includes associated utilities and R&D, not exceeding 20% of total capex for each. However, in view of insufficient coverage of telecom specific equipment, Government may consider either expanding the scope of the scheme or formulate similar incentives for capex incurred by stakeholder for NATEM.
 - c. Program for Development of Semiconductors and Display Manufacturing Ecosystem in India targets establishment of High-Tech Clusters with requisite infrastructure in terms of land, semiconductor grade water, high quality power, logistics and research ecosystem by Central Government in close collaboration with State Governments. **Central Government has announced incentives for every part of supply chain including electronic components, sub-assemblies, and finished goods**. The scheme shall extend fiscal support of up to 50% of project cost on pari-passu basis to applicants.
 - d. Guidelines for Design Linked Incentive (DLI) Scheme provides financial incentives and design infrastructure support to domestic companies, startups and MSMEs engaged in semiconductor design or semiconductor linked design.
2. Beside the schemes listed above, other schemes which can be considered to promote to support capex requirement for NATEM in the country may include the following:
 - a. Financial support from the Government, including Grant-in-Aid, Viability Gap Funding in the form of Equity and/or Long-Term Interest Free Loan, tax incentives, infrastructure support, among others.

- b. Interest subvention schemes, allowing a subsidy in the rate of interest on the loans, can be extended by financial institutions and subsidy may be borne by the Government to promote the industry. Interest subvention schemes can play a significant role in supporting the domestic equipment manufacturer to stay competitive in the domestic and global market and enjoy a level playing field against foreign manufacturers.
3. As the start-ups seek to attain scale, companies face challenges in offering competitive prices and attractive financing options. We suggest that Government may consider co-investing via JV or technology transfer to bring mid-size component manufacturers to next market level. It may also provide tax incentives to start-ups to enable favorable pricing.
4. We submit that beyond the regular capex support, such capex and interest subvention schemes should also be extended to:
 - a. Test systems development
 - b. Hardware product design
 - c. Product engineering and evaluation.
 - d. Supporting ancillary industries providing materials to NATEM products like Metal enclosures, Aluminum dies casting used as enclosures in NATEM products as housing/heat sinks and molded engineering plastics used as enclosures in NATEM products and Customer premise equipment.

Q8. Whether the existing financial assistance schemes for MSMEs that are into NATEM are sufficiently catering to their requirement or a separate dedicated scheme is required for the sector? Please provide a detailed response along with suggested schemes, if any

1. We believe that considering the nascent state of component manufacturing for NATEM in our country, **manufacturing components that cater to larger NATE manufacturers can be an emerging opportunity for MSMEs** in the sector. Access of funds is a difficulty for MSMEs and same needs to be addressed effectively for growth of MSME driven NATE component industry in the country.
2. We note that there are multiple schemes which if renewed or modified with special focus on NATEM can be instrumental in promoting growth of the sector. Few prominent such schemes are reproduced below for consideration of the Authority:

- a. Pradhan Mantri Mudra Yojana was formulated with target to refinance the lending to micro businesses and units. The 2015 Budget proposed the creation of Micro Units Development Refinance Agency (MUDRA) Bank, with a corpus of Rs.20, 000 crores, and credit guarantee corpus of Rs.3,000 crores.
 - b. Growth Capital and Equity Assistance provides capital to MSMEs to invest in marketing, brand building, creation of distribution network, know-how, R&D, etc. Assistance is in the form of mezzanine/ convertible instruments, subordinated debt and equity.
 - c. NABARD's Producer Organizations Development Fund allows credit facilities for production, aggregation, processing, marketing, etc. For instance, 50% of the outlay as interest free loan, 50% of the total financial outlay as capital subsidy.
 - d. Ministry of Science and Technology's assistance for R&D provides early stage funding, up to Rs 1 crore as mix of grant and soft loan, for commercializing high risk, innovative ideas in domain of bio-technology. We suggest that enhancement of limit may be considered for NATE component manufacturing.
 - e. SIDBI Make in India Soft Loan Fund for MSME (SMILE) scheme offers soft loans in quasi-equity so as to meet the required debt-equity ratio. It also offers term loan on relatively soft terms for MSME's. Loans extended under the scheme cannot be used for repayment of earlier loans.
 - f. Ubharte Sitaare Program (USP) identifies Indian companies that are future champions with good export potential. An identified company should have potential advantages by way of technology, product or process. The Program diagnoses challenges being faced by the entity and provides support through a mix of structured support covering equity, debt and technical assistance.
3. We submit that there is a need to design schemes with specific focus on funds requirement of NATE component manufacturing MSMEs. These companies will have higher gestation period and hence the funding support should be focused on developing long term capability in the country instead of expecting faster return on capital borrowed by the MSMEs.

Q9: Whether any cost disadvantage is experienced by domestic NATE manufacturers as compared to global counterparts due to various limitations discussed above? If yes, what is percentage cost disadvantage to domestic NATE manufacturers vis a vis other country? The details of calculations and methodology adopted for the same may be provided.

1. Indian NATE manufacturers have a cost disadvantage when compared to other countries focused on NATE manufacturing, viz. China and Vietnam, for the global market. Underdevelopment of domestic supplier base, infrastructural handicap and higher taxes/duties translate to higher cost structures for domestic manufacturers.
2. Based on our experience and secondary sources data, we assess that the cost disability for an Indian NATE manufacturer, when compared to other significant NATE manufacturing countries, supplying to global markets, will have following factors:

a. Additional tax exemptions in other countries: Tax rebates, tax holidays, etc. provided in various stages, ex: for export, R&D, etc.	1-2%
b. Cost of power: Cost of domestic industrial power	0.2-0.5%
c. Logistics cost: Disability due to inefficient logistics infrastructure	0.5-1%
d. Labor subsidy: Lack of skilled labor and relatively stringent labor laws	0.5-1%
e. Interest subvention on working capital: Interest subvention provided to domestic NATE companies by Government	1.5-3.0%
f. R&D subsidy: Grants, tax exemptions, etc. for R&D expenditure incurred	0.5-1.5%
g. Ease of doing business: Country specific testing standard requirements, increased time to go to market, etc.	0.5-1.5%
 Total cost disability:	 4.7-10.5%

Q10. Whether schemes allowing tax holidays/deferment of tax are available for NATE manufacturers? If yes, are they meeting the requirement? If no, what modifications are required? Please justify and provide details.

1. The tax rate cut can act as a key incentive for the expansion and growth of the manufacturing sector in the country, thereby boosting Make in India. We note that recently Government has inserted a new provision in the Income-tax Act with effect from FY 2019-20 which allows any domestic company an option to pay income-tax at the rate of 22% subject to condition that they will not avail any exemption/incentive.
2. Effective tax rate for India, prior to recent revision, was non-competitive compared to other countries which were favorable destinations for the NATE manufacturers; hence making domestic production in those economies cost efficient compared to manufacturers in India. Even after revision, with effective corporate tax rate of 27%, lot of gap needs to be filled to make domestic NATE manufacturers competitive in global market. (*refer table below*)

Table: Corporate tax rate for 2021 (*source: taxfoundation.org*)

Country	Corporate tax rate (%)
China	25
Vietnam	20
Thailand	20
US	26
UK	19

3. We submit that beyond the corporate tax rate, specific prominent NATEM countries, ex: China and Vietnam, provide significant tax rebates to NATE manufacturing entities for promoting their country as a global supplier for NATE. For making our country competitive, we need to ensure that Indian NATE manufacturers get equivalent support from Government as those provided by other countries to their manufacturers.
4. We submit that the Government may consider extending the time horizon for new provision inserted with effect from FY 2019-20 which allows any new domestic company incorporated on or after 1st October 2019 making fresh investment in manufacturing, an option to pay income-tax at the rate of 15%. At present this benefit is available to companies which commences their production on or before 31st March 2023.
5. At the time of sale, the process of filing bill entry involves filing of multiple bill entry for all line items vis-a-vis imports. We suggest that the process of filing bill entries should be reevaluated for simplification.

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.

AND

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?

1. We are supportive of the concept of Preferential Market Access ('PMA') for domestic manufactured products and believe that it can be an effective tool for promoting Indian Products. Although, we submit that such PMA should be driven by incentive mechanism for the buyers of Indian NATE Products. It should be ensured that there is no penalty associated with the PMA scheme, as the TSPs should be free to procure the best quality NATE products at optimal price to ensure that the security and quality of network is maintained. **PMA policy should be in form of a nudge intervention that ensures positive reinforcement and influences the behavior by way of incentivizing through preferential market access.**
2. TSPs are in process of building new age network for the country and the development has been phenomenal for the country in last decade. The NATE capex plans are determined by TSPs based on their strategic roadmap and technology plan. TSPs in collaboration with technology and manufacturing partners incur significant expenses for product development, engineering and evaluation. **Hence we submit that TSPs should be given the freedom to choose the NATE supplier although should be incentivized to prefer the domestic NATE supplier or develop technical collaboration with them.**
3. We suggest that Authority should consider following options, among others, to promote PMA for domestic manufacturers with TSPs.
 - a. Incentives without limitation of PMA to TSPs to deploy indigenously manufactured products (ex: Deployment liked incentives)
 - b. Incentive to manufacturers to localize supply and investment will be helpful (as in PLI) for manufacturer to achieve scale in domestic market
 - c. Incentive to Technology and engineering partners for development of indigenous technology
4. We believe that till the time we develop local component manufacturing ecosystem in our country, realization of high value addition may be difficult. We suggest that the objective of the PMA policy should be to promote progressively increasing value addition based domestic

manufacturing in the country. A progressive approach with incentivization/preference for domestic manufacturing will see development of component ecosystems in future.

5. We suggest that under the incentive based PMA scheme, focus should be to encourage design based manufacturing in the country instead of low value addition components like tower erection, civil work, etc. Incentivizing design based manufacturing will drive development of manufacturing technology by domestic companies.

Q13. What should be the incentive structure (fiscal and infrastructural) for Telecom Product Development Clusters (TPDC) set up within the EMCs or separately?

1. We realize the potential of telecom clusters in improving the profitability of domestic manufacturers through proximity of related units, better infrastructure facilities and cost benefit through better logistics. Such clusters can play significant role in making India a global manufacturing hub for NATE.
2. We are supportive of Authority's recommendation setting up TPDC, either separately or within EMCs. We suggest that the Government should extend suitable incentives to the TPDCs to attract talent and investments into these clusters. TPDCs can be promoted through government support or in Public Private Partnership mode by providing/facilitating pre-identified land, ensuring adequate availability of large quantities of pure water, uninterrupted power, pollution free environment, logistics, waste disposal etc.
3. **TPDC, developed along the lines of SEZs, can go a long way in ensuring economies of scale and cost competitiveness for domestic manufacturers.** Although the same can be achieved only when TPDCs incentivize significant participation from private players through fiscal incentives such as tax exemptions, duty exemptions, subsidies and R&D promotion schemes and non-fiscal incentives such as low cost infrastructure (land, power and water) and access to trial testing beds. Such TPDCs should give required financial incentives for domestic players to become globally cost competitive through tax exemptions on export revenue and duty exemptions on imports.
4. Some of the key incentives to SEZ participants are enlisted below for better understanding of the nature of support which may be extended to TPDCs:
 - a. Duty free import/domestic procurement of goods for development, operation, and maintenance of SEZ units.

- b. 100% Income Tax exemption on export income for SEZ units for first 5 years, 50% for next 5 years thereafter and 50% of the ploughed back export profit for next 5 years.
 - c. Supplies to SEZs are zero rated under the Integrated Goods & Services Tax (IGST) Act.
 - d. Single window clearance for Central and State level approvals
- 5. In addition, we submit that the provisions for infrastructural support need to be more comprehensive to cater to early stage firms. Few such possible support initiatives can include the following, among others:
 - a. R&D clusters to co-locate innovation firms.
 - b. Plug and play office in such R&D clusters for startups. Developing office infrastructure requires upfront capital investment and such plug and play model can mitigate the burden for applicant startups.
 - c. Centralized testing agency for all companies. Such clusters should provide shareable resources for basic equipment assembly and testing. For instance, establish shared EMI/EMC test facilities in R&D park for ongoing testing during development phase.
- 6. We submit that EMCs or suggested TPDCs require large pool of direct labor to be employed which should preferably be within close vicinity such clusters to develop competitive edge. We suggest that some of considerations for development of human capital infrastructure in vicinity of proposed clusters can include development of the following, among others:
 - a. 10+2/ITI/Diploma schools
 - b. Low cost residential housing in vicinity with the real estate developers.
 - c. Medical and Banking facilities
- 7. We note that China has number of National Economic and Technological Development Zones (NETD Zones, or ETDZs) and Special Economic Zones (SEZs). It has recently developed policies supporting SMEs and manufacturing research and development (R&D) which incorporate **huge deductions in taxes for various components in the manufacturing value chain**. Similar component specific incentivization may be considered by Authority to develop a components ecosystem in the country.

Q14. Whether NATEM is facing any limitation affecting competitiveness of Local manufacturers due to misdeclaration of HS codes, inverted duty structures, landed cost differential etc.? Please provide specific details. What are the suggestions for improvement? Please elaborate.

1. As mentioned earlier, we believe that it should be ensured that the domestically produced products are not at a cost disadvantage compared to other countries and the required/suggested fiscal and non-fiscal incentives should be considered for the same.
2. We understand that Authority believes that imposition of anti-dumping duty can be an effective tool for the same. We submit that **anti-dumping duty, if considered, should be evaluated on case by case basis for various products category and not applied indiscriminately**. Products for which our country does not have sufficient production capacity and healthy competition should not be considered for any anti-dumping duties as the it will impact the ability of TSPs to deliver high quality network.
3. We agree with the Authority that due surveillance mechanisms and stricter implementation of existing norms is required to minimize/eliminate mis-declaration in duty free HS codes, so that such unlawful import does not hamper the cause of NATEM in India. Surveillance and strict compliance should be deployed to curb malpractices related to re-routing/dumping cheap imports through FTA countries.
4. We agree with the Authority that issues of inverted duty structure should be adequately addressed by the Government to ensure that the domestic manufacturers are not at a disadvantage. We understand that in most of the cases, the issue of inverted duty structure is already being actively addressed by the government, upon being brought to attention, by raising the Basic Custom Duty ('BCD') on various imported items while at the same time reducing the BCD on the raw materials required for manufacturing items.

Q15. Whether the current schemes/ measures or policy support for exporters of Indian manufactured equipment are sufficiently meeting the requirement to promote the global competitiveness of Indian NATE exporters? Are the Schemes/instruments in India consistent with the international schemes for exporters in leading manufacturing countries? Please suggest measures to bridge the gap if any.

1. We submit that the schemes and policy support the exporters of Indian manufactured equipment should be based on following key pillars, among others:
 - a. Fiscal incentive in form of duty rebates/subsidies, attractive credit options to the Indian NATE exporters

- b. Offer buyers comparable benefits in cash flow management and expenses in line with globally prevalent practices.
 - c. Establish master fund to offer credit lines to buyers, both domestic and global, of telecom equipment from select Indian ventures.
- 2. We note that there are multiple schemes which if renewed or modified with special focus on NATEM can be instrumental in promoting exports for the sector. Few prominent such schemes are reproduced below for consideration of the Authority:
 - a. RODTEP (Refund of duties and taxes on export products) allows for remission of duties and taxes on exported products.
 - b. Term finance to Indian exporters, extended by EXIM Bank, of eligible goods and services which enables them to offer deferred credit for overseas buyers.
 - c. The Interest Equalization Scheme (IES) for pre and post shipment rupee export credit, implemented by DGFT through RBI, allowed that interest for all exporters across merchandise export segments was equalized by 5% per annum; i.e the loans available from banks to exporters covered under the scheme are charged interest at 5% below the market rate.
 - d. Export Credit Guarantee Corporation Scheme to provide insurance protection to Indian exporters against payment risks by offering several types of insurance covers; helping them step up their exporting abilities.
 - e. Manufacture and Other Operations in Customs Warehouse allows a unit to import goods (both inputs and capital goods) under customs duty deferment with no interest liability. The duties are fully remitted if the goods resulting from such operations are exported. Import duty is payable only if the resulting goods or imported goods are cleared in the domestic market.

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.

1. We agree with the Authority that India's strength in Information Technology can be leveraged to gain an advantageous position in software products that either supplement or substitute networking and telecom hardware equipment. A separate focus for software solutions and products in the various schemes and incentives can benefit software products.
2. We note that National Policy on Software Products 2019 has been formulated by the Government which has suggested significant steps to promote software products in the country, inter alia:
 - a. The Indian Software Product Companies will be allowed to set off tax payable, if any, on the investments made (on an accrued basis) in R&D of indigenous software products.
 - b. A dedicated Software Product Development Fund (SPDF) with a corpus of Rs. 1000 Crore will be created in the form of Fund of Funds.
 - c. A program to create 20 domain specific Indian software product clusters around existing industry concentrations, such as in automobile, textile, financial services, electronic manufacturing, energy etc will be initiated.
3. We submit that the incentives suggested for hardware equipment should also be evaluated for software and should be modified/adopted for growth of indigenous software industry in the country.

Q17. Stakeholders are also requested to comment on other relevant issues, if any.

1. No additional comments