



Comments on TRAI Consultation Networking And Telecom Equipment Manufacturing

Please find below answers to selected questions of relevance for our Comments.

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.

Ans. Whereas, the Production linked incentives (PLI) schemes are a good instrument to boost the production capacities (Supply), manufacturing and create economic impact thereby, the PLI scheme is agnostic of “Atmanirbhar” approach, and therefore, is not sufficient to promote an Indian innovation and Indian telecom product ecosystem.

The PLI schemes must be designed keeping in mind also the start-ups and SMEs and bringing out their expertise in niche areas with R&D incentives bundled.

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

Ans. Yes! These financial incentives can be designed as a basket of following two, which are time tested instruments for promotion of specific technologies and product ecosystems:

- a) “Challenge Grants” (for existing niche players) to develop specific technology e.g. 5G 6G (OpenRAN) in time bound manner, meeting international standards;
- b) “Ignition Grants” create a telecom sector specific start-up ecosystem

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?

Ans. Not sufficient.



Comments on TRAI Consultation Networking And Telecom Equipment Manufacturing

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.

Ans. According an estimate that we have already presented earlier a fund of about Rupees 350 crore over 5 years to be invested as Ignition grant (please see Answer 3) and a fund of Rupees 400 crore for a Challenge grant (please see Answer 3) for development of Indian OpenRAN system is necessary if not sufficient to lay down the foundation of a Indian Telecom product ecosystem.

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

Ans. iSPIRT submitted a detailed proposal based on the Biotechnology Industry Research Assistance Council (BIRAC) model, which will disburse Ignition Grant for startups, organise challenges with challenge grants to solve specific challenges in the Telecom sector.

Moreover, this SPV will work towards creating an ecosystem for telecom sector research through telecom “clusters”.

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?

Ans. No comments

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

Ans. We feel the present financing does not solve the problem as there is stiff competition from MNC who are able to provide a low risk, low interest financial instrument to support the buyer of the telecom equipment (generally referred to as Seller financing in telecom product parlance)



Comments on TRAI Consultation Networking And Telecom Equipment Manufacturing

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.

Ans. Yes, it will be prudent to look at international models of seller financing in telecom equipment and design funds to provide seller financing by supporting Indian telecom product companies.

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.

Ans. No comments

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.

Ans. No comments

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.

Ans. No comments

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.

Ans. No comments



Comments on TRAI Consultation Networking And Telecom Equipment Manufacturing

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.

Ans. We need a specialised PMA scheme to support the “Indian” Telecom product ecosystem that may be nurtured through government grants (Challenge and Ignition grants) so as to provide a market for the product developed and create a “Atmnirbhar” approach.

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?

Ans. Yes! Seller Financing to “Indian” telecom products for selling products to domestic Telecom Service Providers (TSPs) as well as foreign companies. The incentivization model can be an “interest subvention scheme” or other feasible financial models .

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

Ans. We have submitted a paper for an “Ignition” grant scheme and the basic proposal has been embedded there in this paper. Benign attached herewitherewith for ready reference.

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.

Ans. No comments



Comments on TRAI Consultation Networking And Telecom Equipment Manufacturing

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.

Ans. As per our understanding, the Government of India has withdrawn most fiscal incentive supported export promotion schemes as under WTO there is not enough room now to provide fiscal measures and therefore the model of PLI comes to help.

We feel the model of promoting “Indian” products should be based on helping a quality product ecosystem thrive and then compete internationally. Given our market size, we have all the wherewithal to make this happen.

New R&D based incentives models can be developed for startups, SMEs and existing players in the “Product” space.

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.

Ans. There is a National Software Product Policy, 2019 in place (Link: <https://www.meity.gov.in/national-policy-software-products-npsp-%E2%80%93-2019>).

However, there is a need to design specialised strategic sector focused schemes and programmes under this scheme going further. Unfortunately, not much has happened on this till now ever since the scheme came into existence more than 2 years ago. Measures to enhance exports like “seller financing” given above.

Plus “digital diplomacy” to promote “Indian” Software products is part of the NPSP strategies. Please see the NPSP document here.



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

- 1) The Consultation paper is too generic and all encompassing. Given earlier consultation papers, changing world order post Pandemic and the challenges of “Security” and “Digital Sovereignty” a focused approach of “Atmnirbhar” bharat was better to adopt.
- 2) Whereas there are components of innovation and ecosystem approach it is lost in trying to solve every thing.
- 3) It is focused on “manufacturing”. Focus on “Indian product development” through R&D and innovation we feel is the need of the hour.
- 4) Security aspects and related 5G and future generation product ecosystems not emphasised.
- 5) Several countries have invested in public funding of research and programs to develop OpenRAN systems. India should also invest in Radio Access Networks (RAN) and put its foot forward. It will be great to take it in the Mission mode given the time constraint we have as far as 5G development is concerned.