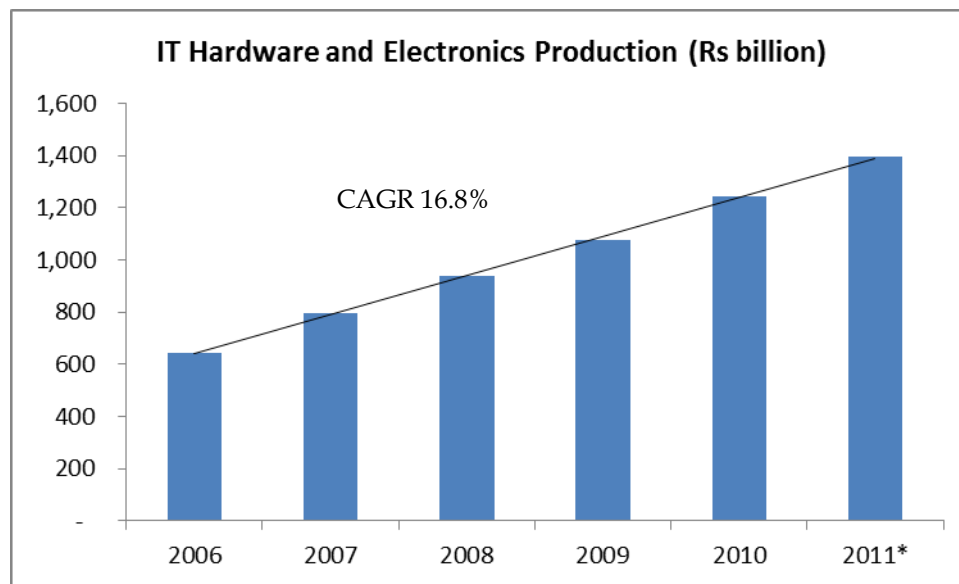


IT Hardware & Electronics Industry - Overview

IT Hardware and electronics industry is the largest and fastest growing manufacturing industry in the world. India's electronics industry is still nascent by global standards and is ranked 26th in the world in terms of sales and 29th in terms of production of various electronic products. Domestic production of the industry has grown at a CAGR of 16.8% over the last six years to reach INR 1,397 billion. A large part of the domestic production is consumed domestically and only a small part of it is exported.

The production and growth trend of the Indian Electronics and IT hardware industry since 2006 has been as follows:



Source: Department of Information Technology, Bangalore

The electronic industry in India constitutes less than 1% of the global electronic industry, but the demand for electronics hardware in India is growing rapidly at over 25% per annum, led by growth in mobile phones, consumer electronics products like TV, DVD, etc. and Information Technology & office Automation products like Computers, printers etc. The high growth has attracted many international companies to either set up new manufacturing facilities or expand their production capacity in India such as Samsung, Dell, Nokia, Motorola and Cisco. However, supply of electronic products and IT hardware is not keeping pace with demand in India, which has resulted in high dependence on imports from China and Taiwan.

A major challenge faced by the electronic component manufacturing industry is the limited availability of raw materials domestically, which has resulted in high dependence on imports from countries like China, Taiwan and Korea. The low production volume of Indian manufacturers reduces their bargaining power, which in turn affects the cost of production and reduces the international competitiveness of Indian manufacturers.