

## **FICCI -Ernst & Young- Report on Mobile Handset Sector calls for strong policy intervention for growth of the industry**

- ▶ *By 2020, the handset demand is projected to reach 350 million per year*
- ▶ *Need to create a manufacturing ecosystem for mobile handsets in India*
- ▶ *In the upcoming goods and services tax (GST) regime, handsets should be taxed at a uniform rate across India*

**New Delhi, 02 November, 2011:** FICCI-Ernst & Young report on the mobile handset sector recommends key measures in overcoming the various challenges faced by the sector and outlines a roadmap for future growth. The report '***Mobile handsets: providing mobility to every Indian***' is a comprehensive and detailed manifestation of inputs concerning the mobile handset sector in the formulation of the National Telecom Policy 2011. The report will be released tomorrow by Dr. J S Sarma, Chairman, TRAI, during an interactive session organised by FICCI Communications & Digital Economy Committee, in the presence of eminent industry personnels.

India is the world's second-largest telecom market after China, with the total wireless subscriber base crossing 850 million at the end of June 2011. By 2020, the handset demand is projected to reach 350 million a year by 2020, with 505 million handsets estimated to be manufactured in India, during the same year. The average selling price of handsets in the country is estimated to increase to INR2,950 by 2020 as compared to INR2,300 in 2010. The affordability of feature-rich handsets is also expected to be a key enabler of handset adoption. In addition to feature phones, smart phones are expected to lead the handset growth story in India.

One of the primary drivers of the sector is an increase in average household communication expenditure. The untapped rural market is expected to provide handset players the next phase of growth. The number of 3G subscribers expected to cross 300 million by 2020, fueling the growth of 3G-enabled handsets. A favourable policy and regulatory initiative conducive for handset manufacturing in India is expected to drive sustainable growth in this segment.

Commenting on these findings, **Prashant Singhal, Telecom Industry Leader, Ernst & Young**, said, "Telecommunications is one of the main architects of accelerated growth and progress of different segments of the economy. Removing barriers to information dissemination are prerequisites for promoting equitable and sustainable development as well as political and social cohesion." He further added, "The enhanced access to wireless services is the outcome of positive regulatory changes, intense competition among multiple operators, low-priced handsets, low tariffs and significant investments in telecom infrastructure and networks. Still, there is a need of strong policy intervention to overcome the barriers and enable India in becoming the largest telecom market in the world, ahead of China."

**Virat Bhatia, Chairman, Communications & Digital Economy Committee, FICCI India**, said, "The mobile handset's reach and simplicity of usage would help overcome barriers of illiteracy and communication in India. Today, mobile handset is already being used for banking transactions, making payments, acting as an educational and multi-media tool, spreading governance, and information dissipation platform across verticals such as agriculture and healthcare".

The key recommendations endorsed by the FICCI & Ernst & Young report for the growth and development of the mobile handset sector are:

- ▶ **Manufacturing ecosystem:** Set up handset manufacturing cluster parks that would enable a sustainable ecosystem for the manufacture of mobile handsets in the country. The parks should focus on having strong forward and backward supply chain linkages. A detailed component supply roadmap needs to be developed by starting to manufacture certain parts such as chip-sets, keyboard, plastic elements and battery.
- ▶ **Research & Development:** There should be a focus on R&D activities on handset designing and manufacturing. This in turn would facilitate innovation, intellectual property rights creation and faster commercialization. Handset design companies need to be adequately supported through grants and co-locating them in handset manufacturing cluster parks.
- ▶ **Exports:** The Government should create a sizable export promotion fund for the Telecom Equipment and Services Export. Promotion Council (TEPC), resulting in the significant growth of exports to developing nations. Handset exports from India may be included in bilateral trade agreements with emerging markets in regions such as South Asia, Africa, Latin America, Russia and Eastern Europe.
- ▶ **Taxation:** There should be a uniform VAT rate applicable across the country. In the upcoming goods and services tax (GST) regime, handsets should be taxed at a uniform rate of 4%.
- ▶ **Security - IMEI number:** Keeping in mind the growing importance of national security, a central electronic identity register (CEIR) needs to be set up for monitoring of (International Mobile Equipment Identity) IMEI numbers.
- ▶ **Upholding customer interests:** The International Commission on Non-Ionizing Radiation Protection Association (ICNIRP) safety guidelines should be adopted for specific absorption rate (SAR) standards, which is a measure of the radio frequency exposure. Further, it must be ensured that customers are being provided with handsets that meet the minimum quality requirements by developing set standards across the entire handset lifecycle.
- ▶ **VAS and vernacular content:** Service delivery platforms need to be standardised for the effective development and delivery of VAS. Operators, handset players and VAS players should work together on open standards. Given the importance of the multilingual diversity of the country, the different players need to be subsidized for offering vernacular content.
- ▶ **Mobile-centric service enabling environment:** All government websites should be accessible from mobile handsets and a regulatory regime should be established for the delivery of m-governance initiatives. To achieve greater financial inclusion, a common platform need to be developed for mobile payments that connects all the stakeholders like banks/financial institutions, service providers, system providers and handset players.

--Ends--

## **About the Report:**

'*Mobile handsets: providing mobility to every Indian*' Report is developed by Global Telecommunications Center of Ernst & Young. As part of the research program, Ernst & Young conducted comprehensive interviews with senior executives across the entire mobile handset eco-system. These interviews provided a firsthand perspective on the challenges faced by various stakeholders involved in this segment and their views on the future direction of this segment. These findings have been combined with comprehensive secondary research, analysis and insights provided by Ernst & Young.

## **For Further Information Please Contact:**

Pushpanjali Singh Taresh Arora  
Ernst & Young FICCI  
+91-9990082717 +91-9899115719  
[pushpanjali.singh@in.ey.com](mailto:pushpanjali.singh@in.ey.com) [taresh@ficci.com](mailto:taresh@ficci.com)

Taresh Arora  
Media Relations Officer  
FICCI  
*Industry's Voice for Policy Change*  
Federation House, Tansen Marg, New Delhi 110 001  
T: +91-11- 23357392, 23753117  
F: +91-11-23753119  
M: +91-9899115719  
W: [www.ficci.com](http://www.ficci.com)