

Electronics industry in india assignment



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ELECTRONICS INDUSTRY IN INDIA INTRODUCTION Electronics is one of the fastest growing segments of the Indian industry. Today, the electronics industry is completely delicensed with the exception of aerospace and defence electronics. The electronic industry in India constitutes less than 1% of the global market. The demand for these products however is growing rapidly and the investments are flowing in to augment the manufacturing capacity. **HISTORY** Among manufacturing industries, the electronics industry occupies a key position in modern science and technology.

It plays a vital role in the fields of atomic energy, communications, defense, education, entertainment and space technology. Until the 1970's the electronic industry was the most protected of all the Indian industries. The country's electronics policy strongly favored self-reliance and technology and capital imports were strongly discouraged. This resulted in the electronics industry being highly underdeveloped till the late 1980's. The industry was very inefficient producing outdated and low quality models at a very high cost. Policy reforms were initiated in the early 1990's with the liberalization of trade and industry sectors.

With the change in the policy regimes after liberalization, the industry experienced restructuring. **THE INDIAN ELECTRONICS INDUSTRY** The Indian electronics industry today stands at US \$ 25 billion. It is ranked 26th in the world in terms of sales and 29th in the world in terms of production. It is growing at over 25% CAGR and is expected to be worth US \$ 158 billion by 2015. This industry is one of the fastest growing industries in the country and is driven by growth in key sectors such as IT, Consumer Electronics and Telecom. The demand for electronics is expected to be fuelled by the growth

of Telecommunications (250 million subscribers by 2007) ??? PCs and Notebooks (5 million every year) ??? Broad-Band connectivity reaching rural areas (600, 000 knowledge centres by 2007) India is a major importer of electronics material, components and finished equipment amounting to US \$ 20 billion in 2007. India imports electronic goods mainly from China. In the last 4 years production of computers has grown at a CAGR of 31%, the highest among the various electronic products in India. This had been followed by communication and broadcast equipment (25%), strategic electronics (20%) and industrial electronics (17%)

The production of consumer electronics in 2003-04 was estimated at Rs. 15, 200 crore as compared to Rs. 13, 800 crore in the previous year, growth of about 10%. This sector has continued to grow at a CAGR of 10% in the last 5 years. There is a reduction in the prices of consumer electronics products as volumes are increasing and competition is becoming fiercer. The consumer electronics segment includes a wide range of products such as DVD, VCD/MP3 players, television sets and microwave ovens. The production of computers increases as the drop in the prices of the goods causes the demand for the goods to increase.

PC penetration in households have increased significantly. Internet usage is also increasing. The information available on the internet is becoming richer and thus creating a favorable scenario for the growth of the industry. The growth in demand for telecom products is increasing. India adds over 2 million mobile phone users every month. This growth is expected to continue over the next decade too. Strategic electronics includes areas such as satellite based communication, navigation and surveillance, underwater

electronics, infra red based detection and ranging, disaster management, GPS based surveillance tracking systems etc. While the bulk of this sector is being met by the defense PSU's and DRDO, a number of units from the private sector are also contributing to this sector.

PORTER'S FIVE FORCES MODEL [pic]

Rivalry among Existing Firms:

There are many players in the electronic market in India??? both domestic as well as MNC's. Some of the key players are ???

Phillips India Limited: Leader in lighting, consumer electronics, semiconductors, domestic appliances and personal care. Its strengths are superior product design and technology.

Videocon International Limited: Launched India's first world class color television in 1985, through a technical tie-up with Toshiba Corporation of Japan. It is India's leading manufacturer of Consumer Electronic Goods. Videocon is now entering the world market with its operations in the Middle East, Europe, Indonesia and South Africa.

MIRC Electronics: MIRC makes and markets the Onida brand of products. Today, MIRC is a leading player in the CTV market and also manufactures other household appliances like air-conditioners, DVD's Plasma Televisions, etc.

Samsung: Leading provider of high tech consumer electronics, home appliances, IT and telecom products in the country. The major players in this industry are well established and strong players. Their brand name, the cost of their products and their distribution channels are what distinguishes them from each other and makes them unique. There are ample opportunities for companies in this industry to grow. However, this sector is very competitive and investors need to have the right approach and focus to succeed.

Threat of New Entrants

The threat of new entrants is neither high nor low. It is at a medium level.

There are many MNCs that are already present and well established in the country. 2 of the main MNC's that have been successful are LG Electronics and Phillips. ??? LG Electronics: Leading company in consumer electronics, home appliances and computer peripherals in India. Their key success factors are innovative marketing (sponsored the 1999 Cricket World Cup), local and efficient manufacturing to reduce cost (helps to overcome high import duties), product localization (came out with hindi and regional language menus on their TV's) and a regional distribution model (resulted in quicker rotation of stocks and better penetration of markets). Phillips: Leader in lighting, semiconductors, consumer electronics, medical systems, domestic appliances and personal care. Their key success factors were Effective Localisation (customizing products and technologies), Global Technology Support (brought latest technologies to the Indian consumer), Tapping Rural India (products specifically targeted at semi-urban and rural consumers), Distribution (high penetration in rural and semi-urban India)

New entrants could include international companies that want to have a presence in India as well as domestic companies.

A new entrant would require making investments in localization of the product (international companies). The entry barrier for domestic companies is that they would have to make huge investments in order to import the latest technologies. The main reason why companies could be attracted to have a presence in a country like India is that there is huge potential growth potential. Overall, this sector presents attractive opportunities for investment and growth. Threat of Substitute Products

The electronics industry covers a wide range of products like consumer electronics (televisions, DVD players, home theatre systems, VCD players, MP3 players), Industrial electronics, computers, communication and broadcasting equipment, strategic electronics, and Components (Color Picture Tubes, Black and White Tubes, PCB's Connectors, Semi Conductor devices). The threat of substitute products are very low in this industry. Currently, there are no substitutes for products in this sector. Products in this industry can be substituted with one another, but not with products from any other industry.

Bargaining Power of Suppliers The electronics industry has an adequate supplier base. Most of the suppliers are small in scale and size as compared to the manufacturers. This leads to the suppliers having very low bargaining power. The manufacturers will look to other sources to get their inputs if the suppliers do not give in to the terms and conditions of the manufacturers. The manufacturers can dictate the kind of quality they want, they price that they are willing to pay for it and many other terms and conditions.

If the manufacturers do not get their way they could always switch suppliers as the switching cost will not be too high for them. Also there is an adequate supplier base so they have a wide variety to choose the suppliers from. The manufacturers can also look at other options like importing cheaper input from countries like China.

Bargaining Power of Buyers The customers have a wide range of product offering in this industry. This industry has products that currently have no substitutes. They can switch between various products e. g. hoice of various televisions but there is no other product that can act as a substitute for the television. Therefore, the bargaining power of

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customers is neither high nor low. It is at a medium level. Thanks to the information all around us and available at the click of a mouse, customers today are well informed of the various options that they have and hence are becoming increasingly demanding. Though the electronics industry covers such a wide range of products the penetration levels are on the lower side. There is a large untapped market. CONCLUSION The electronics market in India stood at US \$ 11. billion in 2004. This market is expected to grow at a CAGR of 23% by 2010 to reach US \$ 40 billion. India's low manufacturing costs in skilled labor and raw materials, availability of engineering skills, and the opportunity to meet demand in the populous Indian market, are driving its electronics market. The major challenges facing the Indian electronic manufacturing industry are an infrastructure that needs to be improved, easing of foreign investment procedures and a restructured government tariff that now makes domestically manufactured goods more expensive than imported goods with zero tariffs.