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Ref. No.MAIT/PY/2533 September 19, 2022

Shri Vivek Johri, IRS
Chairman-CBIC
Ministry of Finance

Sub: Regarding BCD Exemption on the Parts Imported for Domestic Manufacture of Thermal Printers

Reference: Customs Notification No. 24/2005 dt 01.03.2005 (Sl. No. 2 and Sl. No. 4)

Request: Extension of BCD Exemption benefits given for "Thermal Printer Module/Engine for use in the manufacture of Thermal Printers" for revision in Customs Notification No.24/2005 dt 01.03.2005 (Sl. No. 2 and Sl. No. 4)

Respected Sir,

Greetings from MAIT!

At the outset, MAIT would like to take this opportunity to thank CBIC for its continued support to the Indian industry. We deeply appreciate the multiple initiatives undertaken by GoI to promote electronics H/w manufacturing in the country including mobiles, laptops, tablets and other ICT products.

One of the fastest upcoming sub-sectors is thermal Printing which is a type of digital printing widely used in E-Commerce and marketplaces for trade in goods & Services. Please note that the average marginal propensity to consume in the last 19-20 years is around 57%, and the share of the household consumption component in the GDP is on average 68%. These points discussed above show that India's population spends more on goods and services that attract marketplaces, traders & sellers, and so the demand for thermal printers increases.

The core product used in the manufacturing of thermal printers is the Thermal Printer Module/Engine, and due to a lack of technical knowhow, we depend on developed countries like Japan.

As you will agree that while India is promoting the "Make in India" campaign; it is important to promote imports of the core parts which are used for domestic manufacturing of Thermal Printing because the thermal printing market size is growing and expected to grow further with 9.4% Projected CAGR. On the other side, the import of thermal printers is expected to increase at 29% CAGR in the period 2021 to 2025.

The thermal printing market will grow soon, but if we do not take necessary measures like removing the BCD on essential parts of thermal printers, then the dependency on imports will rise, and soon, we will be 100% dependent on imports.

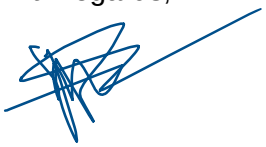
Therefore, **we request to extend the benefit of exemption from BCD for the parts imported for domestic manufacture of Thermal Printers as per Customs Notification No. 24/2005 dt 01.03.2005 (Sl. No. 2 and Sl. No. 4), which exempts Thermal Printer Module/Engine for use in the manufacture of Thermal Printers**

We suggest the following changes in the existing Customs notification:

Notification	Sl No	Present	Suggested	Change Sought	Justification
24/2005 dt 01.03.2005	4	Parts and accessories of the following goods except (Ink cartridges, with print assembly, ink cartridges, without print assembly, Ink spray nozzle) namely, (a) All goods under Tariff Heading 8443 31 00, 8443 32 10, 8443 32 20, 8443 32 30,8443 32 40, 8443 32 50, 8443 32 60	Parts and accessories of the following goods except (Ink cartridges, with print assembly, ink cartridges, without print assembly, Ink spray nozzle) namely, (a) All goods under Tariff Heading 8443 31 00, 8443 32 10, 8443 32 20, 8443 32 30,8443 32 40, 8443 32 50, 8443 32 60, 8443 32 90, 8443 39 90	Add the HSN codes "8443 32 90, 8443 39 90"	The notification restricts the exemption only if it is used in the manufacture of printers other than thermal printers like line printer, laser jet printer, facsimile machine, etc. Now that the Govt is encouraging Make in India, it is proposed that the exemption to be provided to manufacture of Thermal Printers for parts including thermal printer module/engine. Most of the parts produced domestically but thermal printer module is an essential part.

We look forward to your favourable consideration of our request.

With regards,



Col. AA Jafri, Retd.
Dy. COO
(Acting Director General - MAIT)

Rapid analysis of Thermal Printing

World perspective

Thermal printing is a type of digital printing with monochrome (single colour – black & white) or two colours [very few] printers and so generally used in portable devices/printers like barcode printers, POS printers, kiosk & ticket Printers, RFID printers, and card printers. The global market size for thermal printing [**including barcode printers, POS printers, kiosk & ticket Printers, RFID printers, and card printers using thermal technology**] in 2022 is estimated to be USD 47.09 B. It will project to be USD 53.5 B in 2025, an increase of 4.35% CAGR (shown in the below figure). Figure-1 below shows that thermal printing will expect to increase while the other technology like dot matrix and inkjet will expect to decrease further due to the reasons mentioned below,

- Thermal printing is faster and prints more quietly than other technology like dot matrix.
- Thermal printers are smaller & lighter and so ideal for portability.
- They consume less power.

It assumes that the yearly increase in value in the share of thermal printers in portable printers is 0.0178. As per this, the current share of thermal printing in total portable printers in digital printing is 88% and expected to reach 93% by 2025.

To improve productivity, increase product safety or track the products technologies like automatic identification and data capture are used, which further influence the demand for thermal printing will expect to increase.

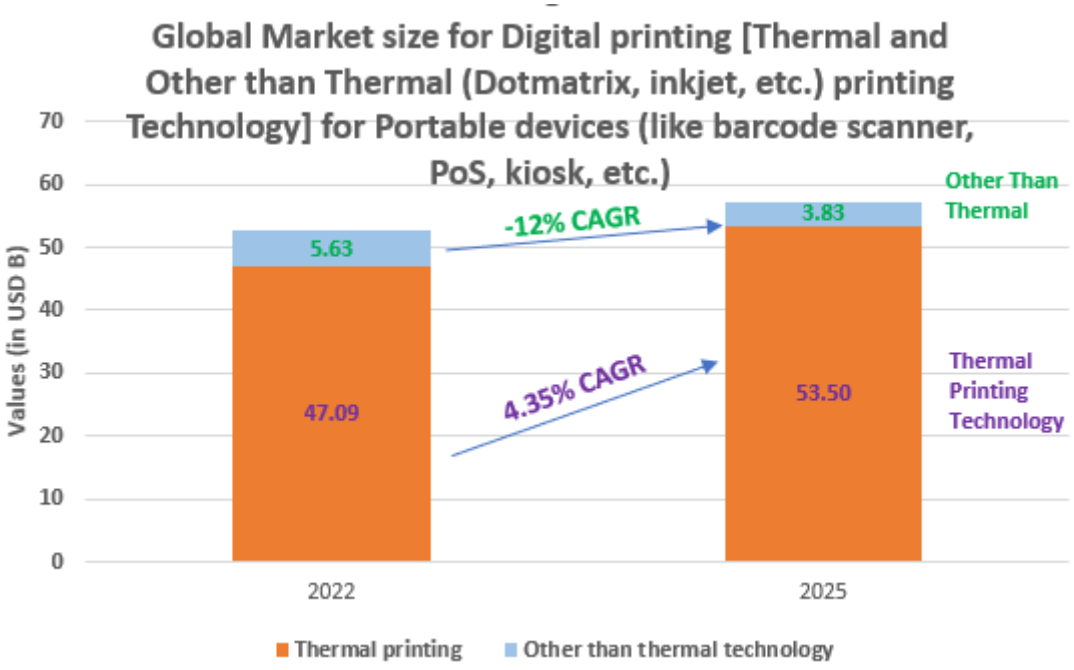


Figure 1 Global Market size (in USD B) for digital printing for portable devices

Asia-Pacific Region – Major Countries (India, China, Australia and Other Asia-Pacific Region)

The market size for thermal printing **[including barcode printers, POS printers, kiosk & ticket Printers, RFID printers, and card printers using thermal technology]** in 2022 is estimated to be USD 10.23 B which is accounted to be 21.7% of the global market size and projected to be USD 12.47 B in 2025 which accounts for 23.3% of global market size, increases at 13.87% CAGR, as shown in figure-2 and 3.

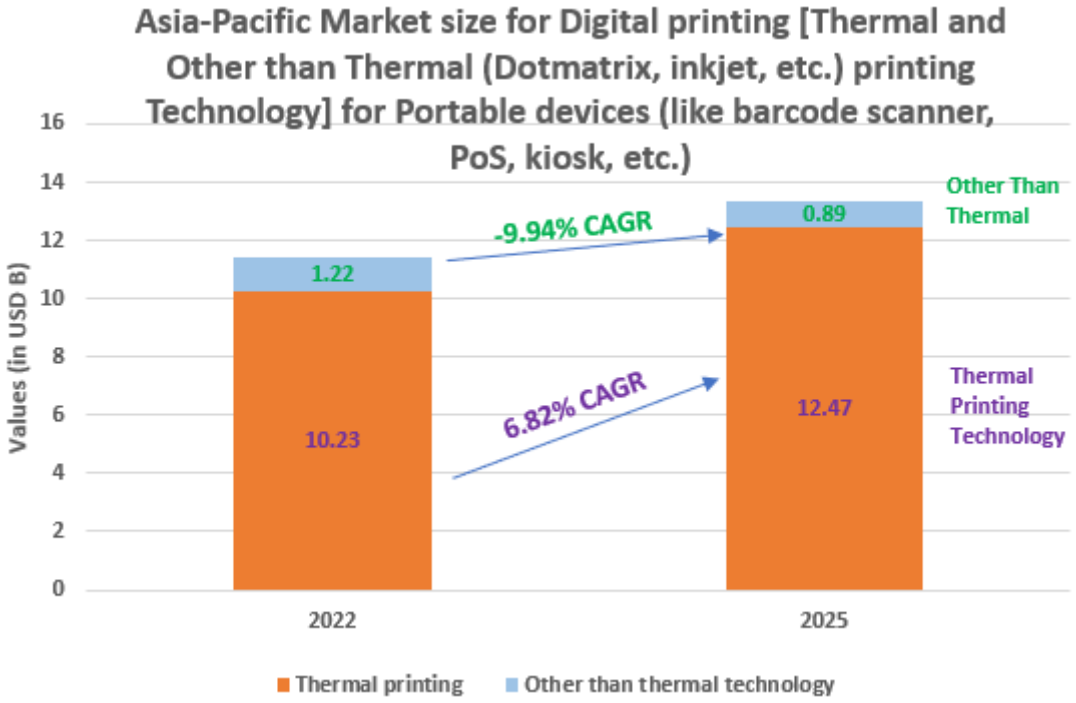


Figure 2 Asia-Pacific Market size (in USD B) for digital printing for portable devices

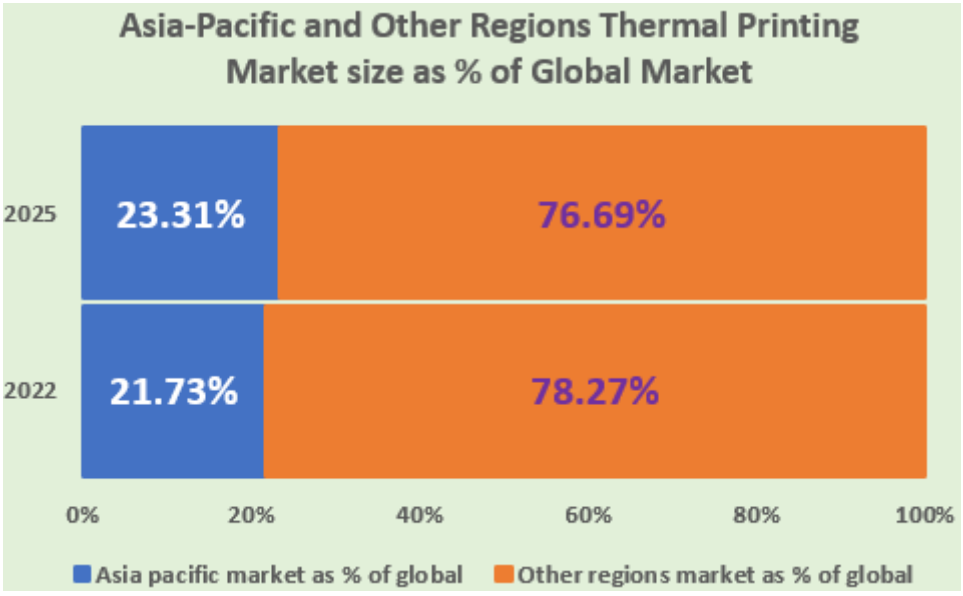


Figure 3 Asia-Pacific and Other Regions Thermal Printing Market size as % of Global Market

Figure 3 shows that the share of the Asia-Pacific region is expected to increase to 23.31% by 2025. The thermal printing market size grew at 6.82%, which is much higher than the global market size (4.35% CAGR).

Thermal printing is mainly used in E-commerce, retail, manufacturing, and other activities related to selling goods. India and china's household consumption expenditure share in the Asia-pacific region (household consumption expenditure) are continuously increased since 1992, except in the covid period, as India faces a decline in the share from 10.11% to 9.71%.

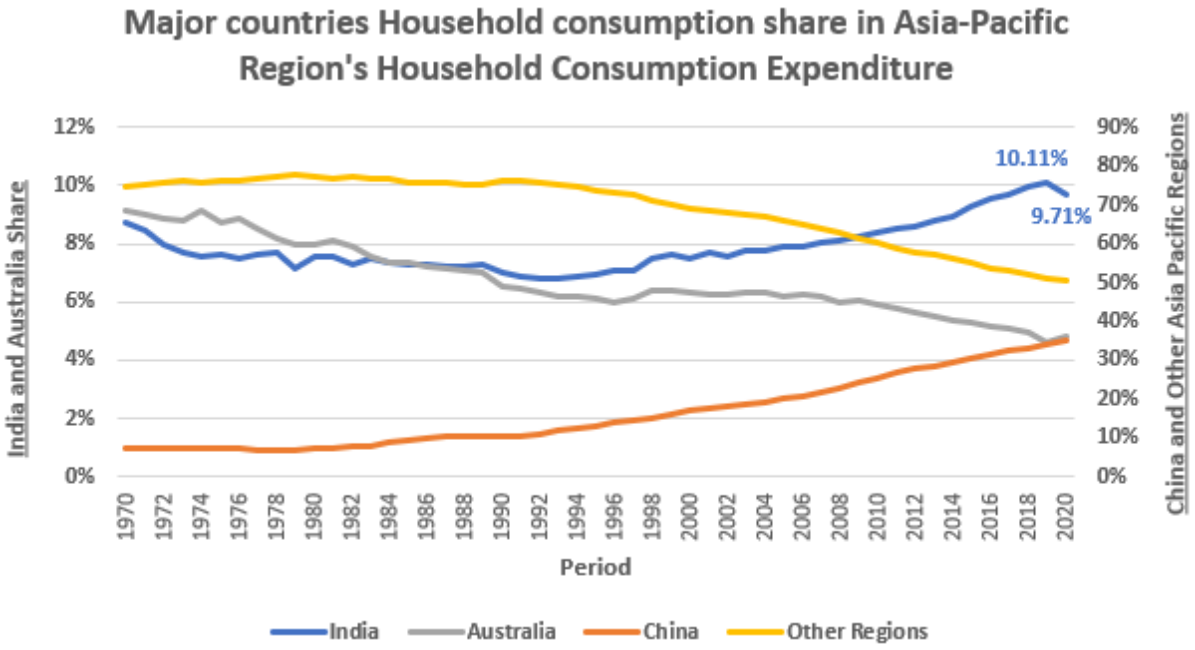


Figure 4 Major Countries Household Consumption Expenditure in Asia-Pacific Region

The gross domestic product is also known as countries income that influences a country's consumption pattern because the major portion of GDP is consumption, India's household consumption is around 60% of the GDP in 2020, while China's household consumption is around 38% of the GDP (as shown in Figure 5). It shows India's GDP depends majorly on consumption, and it is around 60% in the last decade. India and china's GDP share in the Asia-pacific region increases continuously, except in the COVID-19 period for India, as shown in figure-6. The geometric mean for marginal propensity to consume (MPC) in the period of 2001 to 2020 is around 57% which shows that 57% of the additional income is consumed (as shown in Figure 7 below). As consumer spending is high in India leads to a more attractive market for the sellers, and so is the demand for the thermal printer market (as it is used in manufacturing, trading and selling of goods).

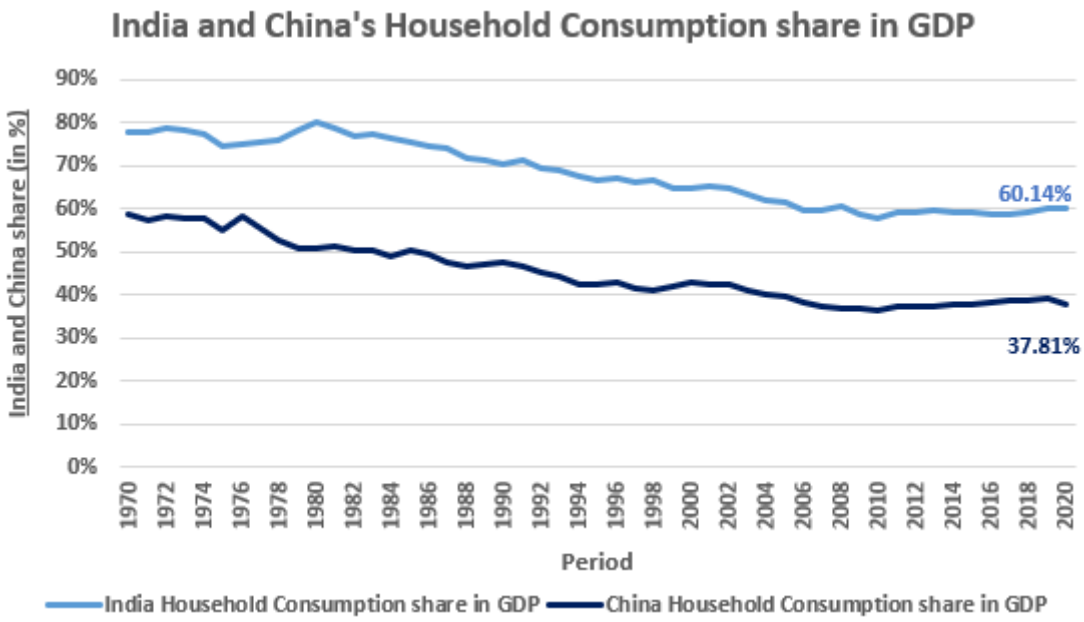


Figure 5 India and China's Household Consumption Share in GDP

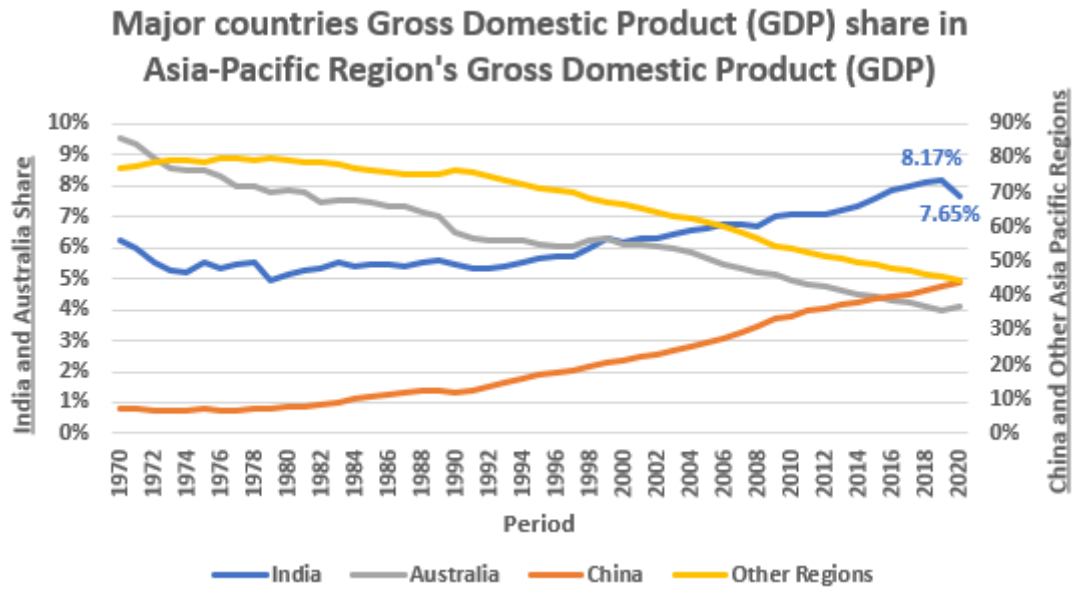


Figure 6 Major countries GDP share in Asia-Pacific Region's GDP

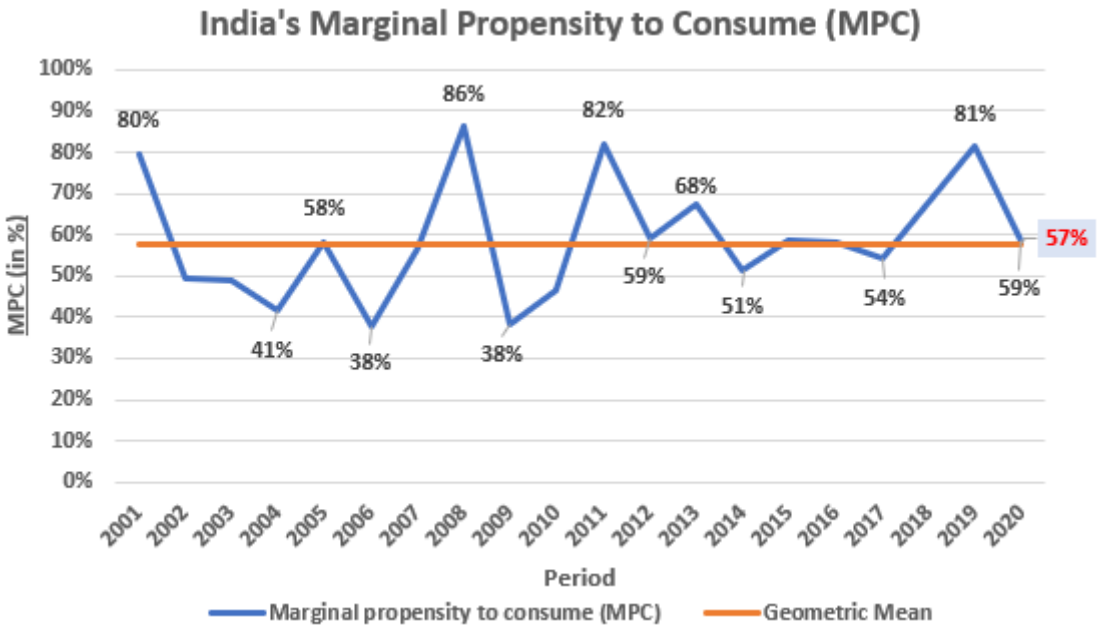


Figure 7 India's Marginal Propensity to Consume (MPC)

The major country's GDP share in Asia-Pacific Region is assumed to be equivalent to their estimated share of thermal market size, as shown in table-1.

Table 1 Assumption about Thermal Market share of Major countries in Asia-Pacific Region

Assumed % share in Asia pacific market based on GDP					
Country	**2021**	**2022**	**2023**	**2024**	**2025**
China	44.90%	45.95%	47.02%	48.11%	49.23%
Australia	4.01%	3.94%	3.88%	3.82%	3.76%
India	7.66%	7.68%	7.69%	7.70%	7.71%
Other Asia and Pacific Region	43.43%	42.43%	41.41%	40.37%	39.30%

India’s Thermal printing market size calculation is based on various assumptions & secondary research, so we consider 15% error chances. The chances of error are possible in import value too but very minimal, and so we assume 2.5% error chances. These error chances lead to estimated values in a range of values, as shown in Table 2 and Figure 8 below. It shows dependency on imports continuously increases due to an 11.77% CAGR for thermal printers for the period 2019-2022. Assuming the same CAGR for the next 3 years, which expects to increase because the COVID impact included in this CAGR, leads to the projected values as shown in table 2 & figure 8.

Table 2 Different cases for Thermal printing market size, import and dependency on imports.

Period	Case 1 - Lower Limit			Case 2 - Estimated value			Case 3 - Upper_limit		
	India's assumed Thermal Printing market size	Thermal Printers Import	Dependency on imports	India's assumed Thermal Printing market size	Thermal Printers Import	Dependency on imports	India's assumed Thermal Printing market size	Thermal Printers Import	Dependency on imports
2022	667.54	275.12	41.21%	785.34	282.17	35.93%	903.14	289.22	32.02%
2023*	714.01	307.50	43.07%	840.01	315.38	37.55%	966.01	323.27	33.46%
2024*	763.71	343.70	45.00%	898.49	352.51	39.23%	1033.26	361.32	34.97%
2025*	817.54	384.15	46.99%	961.81	394.00	40.96%	1106.08	403.85	36.51%

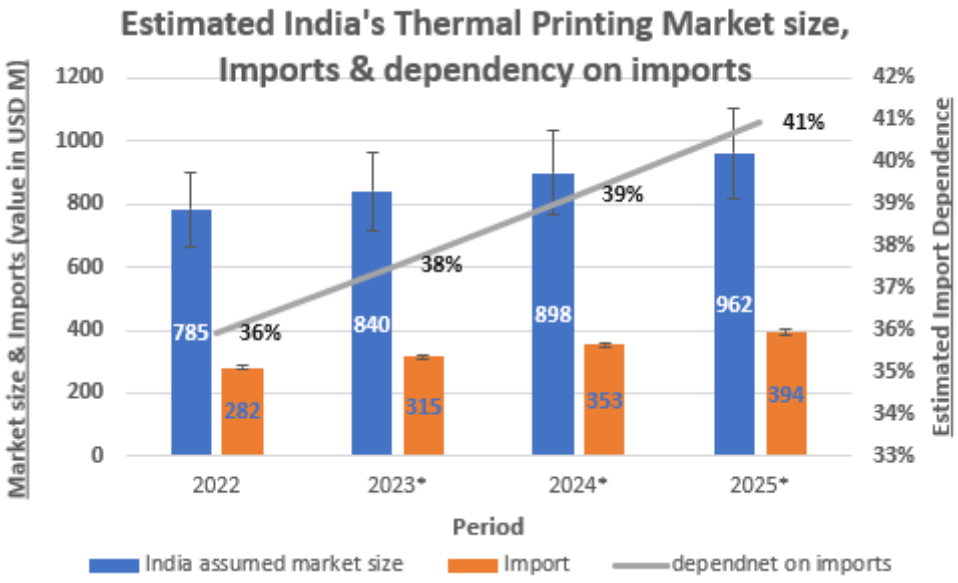


Figure 8 Estimated India's Thermal Printing Market size, Imports & dependency on imports

Conclusion:

From the above discussion, we can say that India's Thermal printing market is increasing at a 6.82% projected CAGR which is far above the world's projected CAGR (4.35%) in the next 3 years, as per Figure-1&2. On average, consumption contributes around 68% of the GDP which means the share of consumption in GDP is on average 68%, as shown in Figure-5. Also, India's average marginal propensity to consume (MPC) is around 57% which tells that more than half of the additional income is consumed by the people, as per Figure 7. Table 2 shows that the dependency, in any case, will increase due to the huge difference in the CAGR of imports and market size, expected to be 29% CAGR for imports while 9.4% CAGR for market size in the period 2021 to 2025.

Points to be considered for Thermal Printers domestic manufacturers:

- Most of the printers come under ITA1, and so import on 0% BCD leads to domestic production being less attractive.

- The essential parts of thermal printers imported at 7.5 to 10% of BCD rate further make imports more attractive than domestic production.

- Most of the thermal printer parts can be produced domestically, but an essential part known as the thermal printer module/engine is not produced in India due to a lack of technical know-how. For this core part, we are dependent on developed countries like Japan.

- India can produce thermal printers domestically to fulfil domestic demand and to serve the foreign market (exports) if the duty on parts of thermal printers will remove generally falls under HSN 8443 99. The HSN codes generally used for thermal printers are 8443 32 90, 8443 39 90.

Note: The data is based on secondary research and mathematical calculations.