

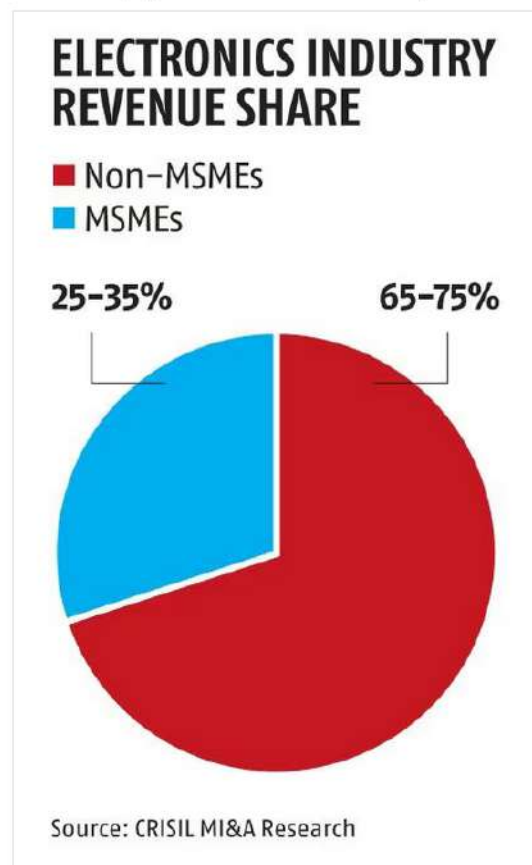
## CRISIL SME Tracker: Higher demand, PLI to propel electronics MSMEs in FY25



Domestic consumption of electronics items is estimated to have grown 13–15 per cent to Rs 14–15 trillion in the financial year ended March 31, 2024 (FY24), with mobile phones and consumer and industrial electronics accounting for 50–55 per cent of the pie.

Various factors contributed to the growth, such as increasing penetration of internet and 5G services, rising consumer income, shorter replacement cycles, easier payment terms, and developments in the auto, electric vehicle, and power segments.

In FY25, overall electronics consumption growth is expected to moderate to 10–12 per cent as inflation marginally affects sales of mobile phones and consumer durables, which account for 40 per cent of electronics consumption in the country.



Electronics production, however, is expected to grow 15–20 per cent, largely owing to the production-linked incentive scheme (PLI) that is encouraging manufacturing of mobile phones, white goods, information technology hardware, and solar photovoltaic cells and modules.

That augurs well for the micro, small and medium enterprises (MSMEs) that produce electronics components and assemble consumer and industrial electronics products.

The MSME units account for 25–35 per cent of the industry's consumption of components. These units are expected to log a revenue growth of 11–13 per cent year-on-year (Y-o-Y) in FY25, driven by mobile phones, consumer and industrial electronics, computer hardware, and strategic electronics.

As for margins, following a range-bound performance in FY24, the MSMEs are expected to experience a slight contraction of up to 30 basis points in FY25, primarily because of commodity prices.