

# Foxconn embraces India sans Vedanta

The world's largest electronics maker is keen to show that its India plans are on track. That is understandable because Foxconn needs India as much as India needs Foxconn

**SURAJEET DAS GUPTA**  
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The bonhomie was apparent.

On July 28, Foxconn Chairman Young Liu was speaking at the Semicon India conclave in Gandhinagar. "Taiwan is and will be your (India's) most trusted and reliable partner," he said in an apparent promise to Prime Minister Narendra Modi, who was in attendance.

Modi smiled as Liu said he was responding to a discussion he had with the Prime Minister, who said the word IT, usually short for information technology, had been redefined as "India and Taiwan".

The bonhomie came in the wake of potential acrimony. Less than three weeks earlier, on July 10, Foxconn, the world's largest contract electronics maker, had said it had withdrawn from its \$19.5-billion semiconductor joint venture with Vedanta, a conglomerate with businesses ranging from oil to metals.

The Indian government has declared chip-making a top priority in a strategy that focuses considerably on electronics manufacturing for economic growth. Foxconn's arrival on India's shores is a crucial step in this journey. Based in Taiwan, the epicentre of global chipmaking, Foxconn first made its name by assembling iPhones and later expanded into chips. It announced its partnership with Vedanta last September with plans to make chips in Gujarat.

Naturally, though ministers put up a brave front to say nothing was amiss, critics said the breakup of the joint venture would delay the building of a chip plant in the country by at least another two years under the semiconductor policy announced in October 2021. Some said this was a reflection of the policy's failure.

Clearing the air, Liu said Foxconn was looking to deepen its relationship with India. V Lee, Foxconn's representative in India, posted pictures on LinkedIn showing Vedanta's chairman, Anil Agarwal, and Liu smiling at each other. The caption said: "Vedanta, Foxconn are best of friends."

Going beyond optics, Foxconn announced investments worth \$2 billion over five years in India, in projects in Karnataka, Tamil Nadu, and Gujarat, and told government officials its India workforce, at 40,000 now in factories making iPhones, would double in a few years.

It signed a memorandum of understanding with Tamil Nadu for a \$194 million electronics

## FOXCONN'S PLANNED INVESTMENTS IN INDIA

**May 2023: \$500 million** to set up manufacturing plants in Telangana (purpose not specified) that will create 25,000 jobs in the first phase

**196 acres of land allocated** on the outskirts of Hyderabad

**August 2023: \$350 million** in an iPhone components facility in Karnataka that will generate 12,000 jobs

**\$250 million** in a facility in Karnataka for chip-making tools in partnership with Applied Materials; will

create 1,000 jobs

**August 2023: \$194 million** in a new facility for electronic components in Kanchipuram, Tamil Nadu, that will create 6,000 jobs

In discussions for setting up of an electric vehicles factory in Tamil Nadu

**August 2023:** Discussions are on with Gujarat to set up a semiconductor plant on its own after withdrawing from a partnership with Vedanta

**TOTAL AMOUNT PROPOSED: \$2 BILLION IN 5 YEARS**



components unit in Kanchipuram with 6,000 new jobs. Discussions were renewed to set up an electric vehicles factory in the state.

In Karnataka, Foxconn tied up with Applied



**A GESTURE OF COOPERATION:** "Taiwan is and will be your most trusted and reliable partner," Foxconn Chairman Young Liu (left) promised Prime Minister Narendra Modi at Semicon India in Gandhinagar recently

Materials for a \$250 million project to make chip-making tools. Liu said the company's semiconductor plans were very much on, that Foxconn would go ahead either on its own or with partners other than Vedanta. It would soon submit applications under the semiconductor policy. Indications are that the factory could still be in Gujarat.

Foxconn is not new to India. It first came to the country in 2015 as Rising Sun (now Bharat FIH) and is the largest electronics manufacturing services (EMS) company in the country.

Clearly, India needs Foxconn.

The country has not had much success in wooing large Taiwanese chipmakers such as TSMC because of their preoccupation with established markets such as the United States. Even Taiwan's OSAT (outsourced semiconductor assembly and test) companies, whose automobile clients are pushing them to hedge their bets and spread out of China and Taiwan, a geopolitically sensitive region vulnerable to disturbances that could cause a chip shortage, have preferred Vietnam and Malaysia to India.

Foxconn could be an anchor and a stepping stone to an economic future for India where

electronics manufacturing would play a vital role. There was a buzz that Foxconn would rope in TSMC as its partner in the India project.

But it is not only about India's needs.

The Taiwanese firm, like its largest client, Apple, is seen as being too dependent on China, which accounts for 65 per cent of its revenues. It is looking for control over the supply chain for making chips. But it is a novice in the game, does not have the technology, and ends up buying \$40 billion worth of chips annually. It requires different kinds of chips for its own captive consumption so it can fulfil its ambition of having a 5 per cent share of the global electric vehicle market by the end of 2025.

This is where India could be of help.

Based on its discussions with the government, Foxconn is looking at setting up compound semiconductor plants based on both gallium nitride (GaN) as well as silicon carbide (SiC), rather than just pure silicon. Memory chips are also on the table.

Unlike silicon chip plants, which require

investments of more than \$5 billion, compound semiconductor plants require only \$100-500 million and are faster to build. The latter also have a ready market because chips based on GAN and SiC are used in electric vehicles,

telecom, consumer devices, power supplies, defence, and solar panels.

According to Frost & Sullivan, which has done a projection for Bharat FIH, the EMS market in the country will zoom nearly four-fold from \$20 billion in 2021 to \$80 billion in 2026. In 2022-23, Hon Hai, a Foxconn Technology Group company that makes iPhones, exported \$2.06 billion worth of iPhones from India, which is 40 per cent of Apple's exports from the country. With Apple planning to

shift 20-25 per cent of its iPhone capacity from China to India in two years, from 7 per cent now, it will require Foxconn to increase its assembly line manifold.

Clearly, Liu and his team are looking to raise their game in India. Clearly, Foxconn needs India as much as India needs Foxconn.

No wonder, the bonhomie was apparent.

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