

Xiaomi in talks with Dixon, others for India-made phones

Export to West Asia soon; move comes after govt's localisation push

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In a major shift in its strategy, Chinese mobile device manufacturer Xiaomi is set to begin exporting 'made in India' phones to West Asian countries for the first time by the end of the September quarter, sources close to the company said.

Xiaomi, the third-largest smartphone brand in India in terms of shipment volumes, after Samsung and Vivo, is in advanced talks with Dixon Technologies and other homegrown electronic manufacturing services (EMS) players for local production of its phones. The firm is also aiming to double its localisation levels, excluding semiconductors, to 70 per cent in two years, the sources said. Currently, Xiaomi's mobile devices are assembled in India by Taiwan's Foxconn and Chinese firms DBG and BYD.

Xiaomi and Dixon did not comment on their plans. Xiaomi's strategic shift is prompted by a nudge from the Ministry of Electronics and Information Technology. The ministry has been prodding Chinese mobile players to export from India, tie up with local EMS firms eligible under the production-linked incentive (PLI) scheme, and expedite localisation to help build a local supply chain.

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'SMART' SHIFT

■ To double localisation of smartphones in two years

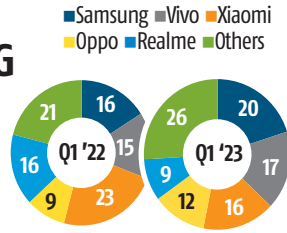
■ Reduce phone SKUs by 30%

■ Increase offline presence

■ Focus on ₹10-15k market; introduce more phones

THE PECKING ORDER

Smartphone market share by volume in India (in %)



Source: Counterpoint Research

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Xiaomi is also rejigging its marketing strategy in India. It is significantly reducing its extensive range of over 40 phone models, shifting its focus to profitability from volume share this year. It is also targeting the mid-market segment (₹10,000-15,000) by launching more phones in this price bracket.

According to sources aware of the company's plans, even though the mobile device market would shrink by around 9 per cent this year to 136 million phones, its share could be 17-18 per cent, down from 20-22 per cent last year.

The sources said Xiaomi discussed its decision to export to the UAE with the government. This would begin with entry-level and mid-market phones, before extending to other countries. Xiaomi operates in over 100 markets worldwide, with West Asia representing a significant market for its products.

In FY23, the company's phone exports from India totaled a mere \$9 million, mainly to some neighbouring countries. To increase localisation, the company is focusing on sourcing smartphone displays and vibrators, as well as high-end chargers, from India, and it is already in talks with potential suppliers.

One of the key issues Xiaomi has faced is the bloated range of 40 phone models across different price segments. The plan is to reduce this by about 30 per cent. Xiaomi also intends to shift its focus from online to offline sales. Currently, the ratio is 50-50, but Xiaomi wants offline sales to increase to 60 per cent, necessitating a stronger retail presence, the sources said.

The rejig has come in view of the shifting preference of consumers from buying phones online during the pandemic to offline once again. Xiaomi does not foresee the online market growth increasing substantially.

Xiaomi has been in the eye of many a storm, including tax notices and allegations of ED violations, which led to its bank accounts being frozen.

Insiders said the industry had estimated that the market for mobile phones would hit 180 million, but the Russia-Ukraine war and a sharp decline in the severity of the Covid pandemic upset the apple cart. As a result, companies like Xiaomi that had built large inventories to meet the anticipated demand had no choice but to liquidate stocks at a heavy discount, making losses. Therefore, in the first quarter of 2023, the focus was on selling existing stocks and reducing volumes of new models. As a result, Xiaomi's market share fell to 16 per cent in Q1 2023 from 23 per cent in Q1 2022, according to Counterpoint Research.

Ukraine war may be pushed to the last minute of G20 talks



Kant said on the first day of the Sherpa meet at Hampi, members discussed the preamble and conclusion paras of the proposed communique. "Getting 29 countries to agree is very difficult and complex. We will have to work very hard on this. We are doing about 17 hours of discussion. Then we have several inter-sessional discussions. We will issue a press statement at the end of the meeting," he said. The G20 countries are also discussing a new action plan for next seven years to achieve the Sustainable Development Goals (SDGs) which are lagging behind its 2030 target.

"Because of the Covid and the cost of living crisis, we have regressed and only 12 per cent of the targets are on track. We are trying to lever-