

'Lenovo will end FY23 with over 5 million made-in-India products'

Chinese multinational Lenovo is closing the current fiscal year at the month-end with over 5 million electronic products made in India. **SHAILENDRA KATYAL**, managing director, Lenovo India, in an interview with **Sourabh Lele** says, India is proving to be a competitive market for manufacturing with attractive government policies. Edited excerpts:

How much does India contribute to Lenovo's global supply chain?

From a global perspective, people have realised that we need more diversified supply chains after the disruptions we saw in the last few years. Everyone is looking at whether they can have a more diversified supply chain that gives flexibility. If one part of the world goes through what is called a butterfly effect or some black swan event, we need more flexibility.

India is showing itself as a reasonably cost-competitive area. It's a train that has started moving, it will only accelerate. Things which have been done over the last decade are putting it in the right spot to leverage the global opportunity.

Lenovo's India business delivered \$400 million revenues in the December quarter. What were the key drivers behind it?

We were reasonably strong, but I believe the momentum has kind of slowed down. Globally, we are the number one PC brand, which is our core business. We are seeing pressure because during the pandemic, almost everyone overbought.

There is some bit of correction in consumption as we speak not just in India, but globally.

During April to December last year, Motorola's business was up by a



good 50 per cent, and the infrastructure business grew at 45 per cent. The transformation part of it is driving the hyper-growth businesses. For us, a real transformation is to sell more solutions and services as an end-to-end transformation partner. That business is growing at 70-80 per cent. Over the last few years, we have been focusing on selling newer solutions along with hardware. The market is acknowledging it well.

When do you expect demand for PCs to recover?

We are already seeing the decline in demand to be bottoming out. In most experts' opinion, there will

continue to be some amount of this oversupply, with slower demand till about the first half of this year. Inventories will get consumed by the second half of this year, which is October onwards; you should see demand bouncing back.

But, I must mention, when the PC shipments were shrinking we improved our market share. The average selling price of PCs has gone up significantly for the whole market. So even though the units have come down, the average selling price of computers has gone up by 30-40 per cent over two years, not just because of inflation of components but also because people want better products.

Industry is awaiting a revised production linked incentive (PLI) scheme for IT hardware. What are you expecting from it?

We have not yet started exporting tablets and PCs. For that segment it is right now a little more expensive to make in India. So unless you have that offset from the government, it is difficult to export from India. There is PLI 2.0 for PCs and tablets, which is likely to come through. As an industry, we made a representation that local demand is not that big for laptops and tablets. We are not the largest PC market in the world.

For smartphones, India became the second largest market in the world around five years ago. There was enough local demand, which allows you to get volume and at scale. Because of that the local ecosystem also developed in terms of the plastic moulding or chip. We have leveraged PLI, which was attractive. Hence, it became better for us to export to North America from India than the

traditional supply chain route.

India has high ambitions in smartphone exports. Is Lenovo exporting made-in-India phones?

One hundred per cent of Motorola phones for the local market are made in India and we are also servicing some global markets. With improved ease of business it is becoming far easier to set up shop. On top of that, the government is now giving money, which is the PLI to make in India and export.

I think India is quite well-positioned and is coming up as a very relevant location because the government has also put in initiatives. A lot of the logistics issues that people had are getting sorted. Our electricity supply has become far more reliable.

Are you planning expansion of production capacity for smartphones?

I think we are exceeding our smartphone production capacity. We will have to keep expanding because we are meeting and beating our targets for PLI. We are asking the government for a little more headroom to allow us to get a little more benefit. But that is not our plan. We are producing at a plant of our partner Dixon Technologies.

By when do you think we can get 5G smartphones under ₹15,000?

I think we are already reaching there. I don't think it will stop at ₹15,000. There will be more affordable price points as the network rolls out, and people start demanding the true 5G experience. By the time India rolls out 5G fully, 6G is also getting baked. So that transition will also happen much faster.



SHAILENDRA KATYAL
Managing director,
Lenovo India

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