Indian firms to make key components for Apple

This will push the extent of domestic value addition in iPhones

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Apple is working to increase localisation in its iPhone by assembling two key components through its suppliers in India.

One is the enclosure or casing, which holds the phone that Apple is working on with the Tatas. The other is the camera module, which Chinese company Sunny Opotech will assemble.

Currently, based on the vendor data shared with the government, Apple's domestic value addition in the various iPhones assembled by its three vendors — Foxconn, Pegatron and Wistron — is to the tune of 12-15 per cent.

However, once these two key components start rolling out from Indian plants, sources in the know say the value addition will hit 27-30 per cent.

Under the production-linked incentive (PLI) scheme, the government expects all eligible players (which include Apple's three vendors) to reach a domestic value addition of 40 per cent by FY26, the last year of the PLI scheme.

An Apple spokesperson did not respond to queries.

Sunny Opotech, a subsidiary of Sunny Optical Technology, has recently announced that it is investing $300 million to manufacture camera modules for Apple iPhones and other products.

It is also one of the 14 Chinese companies that have been given initial clearance by the Ministry of Electronics and Information Technology (MeitY) to set up a joint venture in the country, provided it applies to the government under the foreign direct investment (FDI) policy.

The Tatas have also been closely working with Apple to develop mechanical parts in their Hosur plant in Tamil Nadu. It is the first Indian firm that is part of the Apple global supply chain. The Tatas are also in talks to pick up a stake in Wistron.

The government's localisation target is 40 per cent, more or less in line with China where it is already at that level and in some models, it is up to 50 per cent. In Vietnam, domestic value addition stands at around 28-30 per cent.

Based on estimates by the India Cellular and Electronics Association (ICEA), exports of mobile phones touched $11 billion in FY23, double the figure for the previous year. However, during the same period, the import of components for making the phones stood at around $30 billion. The total production of phones for both domestic and exports was $44 billion.

In Apple's case, its total free on board (FOB) value of phones assembled in India for both exports and domestic was around ₹60,000 crore, out of which exports constituted ₹40,000 crore.

A report prepared by ICRIER and ICEA, supported by MeitY, has pointed out that India has pursued a different strategy from China and Vietnam in its quest for growth in mobile device assembly.

Here, when scale of production was low, India chose to increase Domestic Value Addition (DVA), denying producers the incentive to build to scale. So, after 2009, despite the DVA being reduced, the response from the sector was such that the scale only declined further, especially after Nokia's exit from the country.

In contrast, growth in China came from scale — and later from DVA — though the former dominates.

In Vietnam, too, growth has come from concentrating on scale rather than DVA.

ICRIER has suggested that India should also focus on scale. Only after crossing a certain threshold (assuming it makes parallel efforts to build a domestic ecosystem) should India insist on a high level of localisation.

ACE SHUTTLERS

Apple CEO Tim Cook (*right*) with former badminton player Pullela Gopichand (*centre*) and current stars Kidambi Srikanth (*second from right*), Saina Nehwal, Parupalli Kashyap (*third from left*) and Chirag Shetty (*left*) in Hyderabad on Tuesday TWITTER

LOCALISATION PLAN

- Chinese vendor Sunny Opotech and the Tatas will assemble the camera module and enclosure in India
- Government expects vendors to reach 40 per cent value addition by FY26
- Even globally, i.e. China, value addition in smartphones is over 40 per cent; in Vietnam it is 28–30 per cent