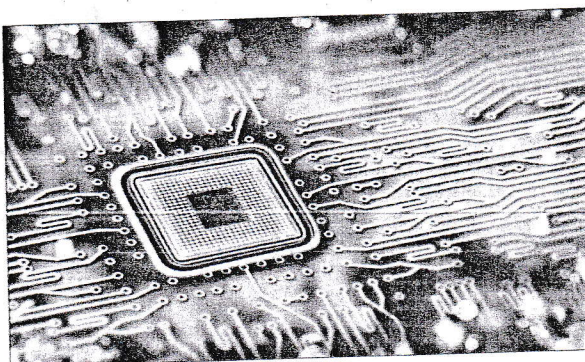


Chip makers put phones, laptops over automobiles and banks

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AS INDIA MOVES towards fostering its own semiconductor manufacturing ecosystem, sectors such as automobiles and banks are alleging that chip-makers are discriminating — in the aftermath of supply disruptions caused by the pandemic — in favour of clients who need high-value chips over the lower ticket-size ones used by car-makers and banks.

This assumes significance given the representation by Indian Banks Association (IBA) to the government seeking intervention of the antitrust panel to address chip shortage that is hitting issuance of credit and debit cards. Semiconductor industry executives, however, attribute this to market forces. They say once the pandemic set in, certain products like laptops and smartphones took priority



over others, triggered primarily by action taken by consumer segments such as car firms.

This resulted in OEMs (original equipment manufacturers) of certain sectors releasing the slots at fabrication units allocated to automakers to cater to demand from other high-value items such as laptops, smartphones, headphones, etc, demand of which spiked as people started working from home.

"Just like we reserve railway

tickets in advance and there is a wait list, one has to book slots to have chips manufactured in advance. If you don't, you lose your slot. A lot of automotive companies cancelled their slots (when Covid started) with the assumption that they will not be requiring it," Sanjay Gupta, vice-president & India managing director at the Netherlands-headquartered NXP Semiconductors told *The Indian Express*. NXP Semiconductors is one of

the three largest semiconductor suppliers to automotive companies in the world.

"This was because having the slots would mean you pay for some of the expenses. Running a fab takes millions of dollars a day. Automotive companies thought that supplies will not be required in the first couple of quarters of 2020 and they released those slots. But there was another phenomenon that was happening — work from home, study from home, gym from home, basically everything from home. Nobody had predicted this phenomenon. Digitisation that was expected to happen in a 5-10 year time-frame, happened in literally one quarter," Gupta said, adding that once the demand for cars came back, it was difficult for auto companies to get those slots back. "Automotive companies barely got their slots back and whatever they could get back they got it at a higher price".