

Challenges galore for Foxconn's ambitious expansion plans

Firm expects the electronic manufacturing services market to boom

SURAJEET DAS GUPTA

New Delhi, 18 September

In a LinkedIn post congratulating Prime Minister Narendra Modi on his birthday, Foxconn India representative V Lee promised to double the company's employment, FDI and business size in India in time for his next birthday.

While doubling its business revenues may be a tall order, the first two goals are well within the realms of the possible.

In a recent analyst call, Foxconn divulged for the first time that its Indian business has already hit \$10 billion.

The group operates in India through two major companies: Hon Hai Precision which exclusively assembles phones for Apple and Bharat FIH which makes a range of electronic products for non-Apple companies ranging from mobile phones to electronics for industries such as automobiles, mechanics TV, and hearables.

Analysts estimate that, as a key iPhone assembler, Foxconn assembled around \$4 billion worth of phones in India based on freight on board value in FY23. S&P Global estimates the group's exports to be at \$2.07 billion in FY23, mainly iPhones.

Apple's vendors also include Pegatron and Wistron. In the last financial year (FY23), they made phones worth \$7 billion in India under the Production Linked Incentive (PLI) scheme.

In FY24, the maximum commitment of the three vendors collectively under the PLI scheme is \$9.1 billion (each can make phones of ₹25,00 crore of freight on board value). Even if Foxconn were to get the lion's share, it would only

UPHILL BATTLE

ILLUSTRATION: BINAY SINHA



■ Foxconn assembled around **\$4 billion** worth of iPhones in India in FY23

■ Foxconn estimates that the EMS market will boom, from **\$20 billion** in FY22 to **\$80 billion** in FY26 which will mark a huge upside for the group

■ Apart from expansion of iPhone capacity, Foxconn is setting up two plants to make components for Apple as well as other brands

■ Foxconn can easily go beyond the **\$2 billion** it has said it will invest in India after the success of its projects

represent an incremental growth in revenues and cannot be doubled.

Based on an industry report, the other company, Bharat FIH estimated that in FY22 it had a 12.4 per cent share of the \$20 billion Indian electronic manufacturing services market (excluding what it does for Apple) or revenues of \$2.48 billion.

But the company has gone through tough times with many big mobile phone companies like Xiaomi shifting capacity to other players. A multiple increase in its revenues won't bring it to the ambitious revenue number V Lee has in mind.

Foxconn estimates that the EMS market is going to boom, from \$20 billion in FY22 to \$80 billion in FY26 and that this will mark a huge upside for the group.

However, this depends on when it will be able to kick off the numerous new projects it has announced.

For instance, apart from expansion of iPhone capacity, Foxconn is setting up two plants to make components for Apple as well as other brands, an electric vehicle plant, a new wearables factory for Apple, and two fabrication plants, one based on gallium nitride and the other on silicon carbide.

If all these projects go off smoothly, Foxconn can easily go beyond the \$2 billion it has said it will invest in India.

Foxconn will require more workers for these projects. Currently, according to sources, it has over 40,000 workers in the Apple iPhone factory and around 25,000 at Bharat FIH.