Indian cos talk supply chain integration with Apple

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A clutch of Indian companies is having preliminary talks with Apple to explore the possibility of being part of its supply chain for making iPhone components and other products in India and globally.

The companies, many of whom were referred to the Apple by the government, include Mahindra & Mahindra, the Murugappa group (makers of cycle brands like BSA and Hercules), Wipro, EMS player Dixon Technologies, and phone maker Lava International. Sources in the know say that Apple is also planning to contact auto component companies with experience in manufacturing components for global car makers to gauge their interest.

Queries to all the companies did not elicit any response. Nor did an Apple spokesperson respond to e-mail queries on the issue.

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The move by Apple to build a homegrown supply chain like the one in China has received a boost after its successful association with the Tata group. After a longish learning curve of two to three years, the Tatas, which make the iPhone enclosures, are even exporting them to China.

Now the Tatas are taking another big step by acquiring Wistron's iPhone assembly plant. Wistron, along with Foxconn and Pegatron, assembles iPhones in India. The acquisition will help Tatas become an EMS player of finished products.

Sources in the know say that building a supply chain in India for mobile devices is key to achieving the government's ambitious goal of around 40 per cent value addition in mobile devices by the end of the last year of the Production Linked Incentive (PLI) scheme in FY26.

The value addition for iPhone vendors is currently around 15 per cent but the government expects them to hit 30 per cent by FY26. Apple has shifted around 7 per cent of its global production to India but its vendors, based on their commitments, want 25 per cent of iPhones to be produced here by 2026, with most of them going for exports.

Apple's supply chain in China is dominated by Chinese companies who, due to geopolitical issues with India after the border skirmishes, have not been able to come and set up production facilities here. Under the government's FDI policy, Chinese companies have to get government clearance rather than come through the automatic route and no clearance has been given.

However, in a relaxation of this policy, the Ministry of Electronics and Information Technology asked Apple a few months ago to identify the Chinese suppliers who want to come to India and who are prepared to set up a joint venture with an Indian partner which would have a majority stake.

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The ministry cleared 12 Chinese companies that could apply for permission. Among them were Luxshare, Boson, Avery, and Sunny Opotech. Other Chinese companies have been less enthusiastic because of the problems which many Chinese mobile brands have been facing in India.

Clearly, it makes sense for Apple to build a homegrown supply chain of Indian companies but the stumbling block is that they do not have the technology to make the components. Nor do they necessarily have the funds required to do so given the low-margin-large-volume business where profits take years to come by.

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Indian firms in talks with Apple for supply chain integration

That is why the government is considering a PLI scheme to help towards building a mobile device supply chain.

In an interview with the *Business Standard,* Communications Minister Ashwani Vaishnaw, when asked about the challenges of building such a supply chain, said Indian companies have been looking at electronic components which can be designed and made in India over the past few years.

He pointed to the success stories such as the Tatas who have made significant progress in developing a component ecosystem. “Whether the Tatas get joint venture partners or whether they grow themselves to become global suppliers, both are equal possibilities,” said Vaishnaw.

On whether the time taken to build an Indian supply chain could slow down the value addition, Vaishnaw replied: “Even a foreign company which sets up a base in India will have a learning curve, just like Indian players. But the pace of the Indian companies’ development of the supply ecosystem gives us significant confidence that our component ecosystem is growing at a very rapid pace.”

Vaishnaw said that while the focus should be on scale, value-addition targets are set to nudge companies to build the vital ecosystem.