

# Apple looks to raise India harvest with further localisation

Part of value-addition plan for iPhones assembled in India

## LOCAL PUSH

■ Apple to assemble and produce three key components — display assembly, camera modules and enclosures

■ **30-35%:** Value addition in an iPhone due to this

■ **12-15%:** Current level of value addition

■ **40%:** Centre's target of value addition by FY26

■ Apple talking to 3-4 Indian players and non-Chinese global companies to make camera modules

■ Foxconn showing interest in setting up an OLED display unit

■ Tatas to ramp up capacity for enclosures

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Apple Inc is looking for suppliers in India for three key components — mobile display assembly, camera modules and enclosures (mechanical parts) — as part of its strategy to increase the value addition of iPhones being assembled in the country, say sources aware of the phone-maker's strategy.

If the strategy works, the three components would collectively lead to an incremental value addition of 30-35 per cent in iPhones.

According to sources in the know, Foxconn, the world's largest electronics manufacturing services (EMS) player and one of the biggest contract manufacturers of iPhones in the country, has evinced an interest in setting up an OLED display assembly unit for mobile devices, which will also supply to iPhones in India. However, there is no guarantee that a deal with Apple Inc will eventually fructify.

An Apple Inc spokesperson declined to comment on any plans or negotiations in this regard. A Foxconn representative in India did not respond to queries.

Moreover, in the case of the camera module assembly, sources say, the attempt is to rope in a homegrown player to manufacture it, perhaps with the help of technology from global companies. There is also the option of bringing in South Korean, Japanese or Taiwanese companies for the purpose. Talks have been going on with three to four prospective players.

In an earlier plan, Apple had roped in the Chinese company Sunny Opotech, which is one of its global vendors, and which had announced an investment of \$300 million to set up a mobile phone camera manufacturing facility at Tirupati in Andhra Pradesh.

However, with geopolitical tensions between India and China, and restrictions on foreign direct investment from Chinese companies, that project has been put on the back burner, say sources.

For enclosures, Apple Inc has tied up with the Tatas, who have recently started exporting some of these products to China. However, they will need to ramp up production to be able to cater to the growing need for iPhone enclosures as volumes will be pushed up substantially in the next two-and-a-half years.

The focus on these three areas is understandable as iPhone's contract manufacturers, Foxconn, Pegatron and the Tatas (who have just announced the acquisition of Wistron's plant in India for \$125 million), which are eligible for incentives under the production-linked incentive scheme, have committed an aggressive value addition on the phones of up to 40 per cent by the end of the scheme in 2025-26.

Based on the models, the current value addition of iPhones ranges from 12 per cent to 15 per cent. Of course, the display accounts for the major cost of an iPhone. If the plan fructifies, the value addition in iPhones through these three components could be close to 50 per cent, which is much higher than what the government has been aiming for.

Apple already has global suppliers for both displays as well as camera modules. For camera modules, reports say, their key suppliers include LG Innotek, Foxconn (which acquired Sharp of Japan) and Cowell, which is based out of Hong Kong. Apple's major suppliers of displays include Samsung Display (for iPhones) and LG Display (iPads), amongst others.

Foxconn has acquired display technology through its acquisition of Sharp.

