

Apple, Samsung may make handsets worth \$5 billion in FY22

Synopsis

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Apple and **Samsung** are set to **locally manufacture smartphones** worth around \$5 billion (₹ 37,000 crore) in FY22 under the government's flagship production-linked incentive (PLI) scheme, exceeding the target set by the Centre by over 50%, said government officials and industry executives.

Of this, mobile phone exports under the scheme will account for around \$2 billion in FY22. "The global companies are expected to exceed their targets this year and we expect the numbers to keep improving each year," a senior government official told **ET**.

Apple, its contract manufacturers and Samsung didn't respond to ET's email queries.

The PLI scheme for handsets promises **incentives** of nearly ₹39,000 crore spread over five years.

'Only 3 Cos likely to Avail Incentives'

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Korean major Samsung, Apple's three contract manufacturers - Pegatron, Foxconn's Hon Hai and Wistron, along with another Foxconn unit Rising Star (now Bharat FIH) - were the five applicants chosen under the PLI scheme for smartphone production in the global manufacturers' segment.

An official said the government's target under the scheme for FY22 was close to \$3.2 billion for the qualifying applicants. "Only three companies are expected to avail the incentives as Bharat FIH and Pegatron are yet to start producing phones in this category," the official said.

<p>India Calling Samsung, Apple's contract manufacturers Pegatron, Foxconn (Hon Hai), Wistron, and Bharat FIH are global cos chosen for handset PLI scheme Pegatron likely to start local manufacturing in next few months</p>		<p>Bharat FIH is unlikely to qualify for first year incentives \$3.2 b Local production target for this fiscal under scheme for global cos Smartphone exports may rise to \$5b in FY22 compared with \$2b in FY21; could double in FY23</p>
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Pegatron, Apple's second-largest global manufacturer after Foxconn, is expected to start manufacturing operations in India in the coming few months. Bharat FIH, on its part, currently makes smartphones mainly for China's Xiaomi. Since the per unit cost of manufacturing these devices is less than Rs 15,000, the company doesn't qualify for incentives under the PLI scheme.

"(The global manufacturers) are set to exceed their smartphone PLI targets this year. Our calculations show incremental production of about \$5 billion by Samsung, Wistron and Hon Hai (Foxconn). Bharat FIH is also gearing up for the challenge in the next financial year (starting April 1), and Pegatron is expected to start production this year," said Pankaj Mohindroo, chairman, India Cellular & Electronics Association (ICEA).

ICEA represents major handset brands and manufacturers like Apple, Foxconn, Wistron etc, but doesn't include Samsung.

Rate of Incentives

Samsung is availing the incentives for the second year. This means it has to produce phones worth ₹8,000 crore over what the company produced in 2019-20 (the base year fixed by the government) in the ₹15,000 and above handset category. For Apple's contract manufacturers, this is the first year, implying that the Taiwanese manufacturers need to produce smartphones worth ₹4,000 crore each in the same category over their production in 2019-20 to avail the incentives.

The rate of incentives for the first two years is 6%, 5% for third and fourth, and 4% for fifth year. This means the government will pay 6% of the company's cost of production as incentive if it meets the target in the second year and 5% in the third and fourth year and 4% if it does so in the fifth year.

The threshold of production targets - to qualify for incentives - set over the base year is ₹4,000 crore in the first year, ₹8,000 crore in second, ₹15,000 crore in third, ₹20,000 crore in fourth and ₹25,000 crore in the fifth year.

Original Timeline for Samsung

Originally, the first year of production under the scheme was to be FY21, and it was to end in 2024-25. But the industry pushed the government for a year's extension since production had come to a grinding halt in 2020 owing to the Covid-19 outbreak, which India agreed to. As a result of the pandemic, all barring Samsung - with already established local manufacturing operations - missed out on meeting the most lucrative first-year targets.

Samsung was allowed to keep the original PLI scheme timeline starting from FY21, in which it availed first year's incentives worth ₹900 crore. But for others, including Apple's contract manufacturers, the first year is now this fiscal, or FY22.