

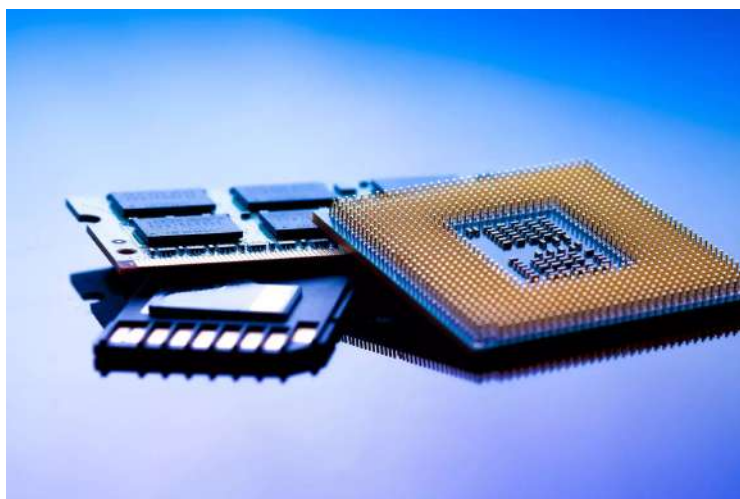
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Reliance Industries, HCL may enter Indian semiconductor race via ISMC

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are independently "evaluating" deals to purchase 30% equity stake each in [semiconductor](#) wafer fab applicant [ISMC Analog](#), multiple people aware of developments told ET, signalling heightened interest in India's ambitious move to seed a [semiconductor manufacturing](#) ecosystem in the country.

The oil-to-telecom conglomerate as well as the Shiv Nadar-founded HCL are likely to invest through subsidiaries, said the sources who estimate the total investment from both parties may be over Rs 4,000 crore (\$500-600 million). ISMC Analog, a consortium of Mumbai-based [Next Orbit Ventures](#) and Israeli tech firm [Tower Semiconductor](#), is one among three applicants vying for subsidies under the Centre's Rs 76,000-crore Semicon India programme. It has chosen an electronics cluster near Mysuru to build its \$3-billion fab.

In response to ET's queries, a spokesperson for Reliance said the company "evaluates opportunities on an ongoing basis", but declined to comment on "market speculation and rumours".

"We have made and will continue to make necessary disclosures in compliance with our obligations under Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 and our agreements with the stock exchanges," the person stated.

Strategic moves

HCL Group did not respond to queries as of press time.

ISMC said it "cannot endorse or disclose names of investors and their terms of investment" in view of certain non-disclosure agreements.

According to the current contours of the deal, ISMC Analog will "expand its board to include nominee directors to acknowledge the (new) investors", according to one person aware of the details. Technology partner Tower will continue to own 15% in the venture, the person said.

Term sheets for both proposed deals have been signed recently, according to the people cited above. ET was not able to independently verify when the parties signed term sheets.

A term sheet is not an enforceable contract between two parties but a "non-binding" expression of interest with details about commercial terms. On completion of due diligence, the deals will move towards definitive agreements.

If the deals fructify, RIL and HCL will emerge as the next big corporations after Vedanta to enter the fray for semiconductor manufacturing in India, which is considered as a strategic initiative for the country.

localisation of the semiconductor supply chain”, said one executive quoted above. Currently, it manufactures feature phones and smartphones created in partnership with Google at factories in Sriperumbudur near Chennai and Tirupati in Andhra Pradesh. “From design to chip manufacturing, assembly and EMS manufacturing – the entire supply chain will happen in India,” said the person.

For HCL, the ISMC deal – likely to be one of its largest stake acquisitions – is an entry point into the Indian market for its semiconductor engineering and R&D services delivered across fabs worldwide.

Experts are of the view that investor interest in semiconductor manufacturing is on the rise due to the 16-18% CAGR of the Indian semiconductor market, in addition to rising demand due to increased digital adoption triggered by the pandemic.

K Krishna Moorthy, president and CEO of industry body India Electronics and Semiconductor Association, said: “All the three fabs (vying for Indian government subsidies) will have significant export prospects too, so it is clear that investors would be interested in them.”

ISMC proposes to manufacture chips of 65 nanometre (nm) size, an older technology node with varied applications from consumer electronics to automotive to power [devices](#) segments, which have a booming market in India.

“For HCL, a ‘services agreement’ with ISMC is likely, for its R&D and engineering services,” said one of the sources. The Noida-headquartered company already offers semiconductor design and engineering services for global semiconductor wafer fabs.

While India has proven design and R&D capabilities in semiconductors — with global companies such as AMD and Intel running their R&D workforce here — the missing cog so far has been semiconductor manufacturing.

Earlier in October, RIL said it had completed the acquisition of the India subsidiary of US-based electronics manufacturer Sanmina. The focus areas are communications networking, medical and healthcare, industrial and cleantech, and defence and aerospace, all of which consume computing chips across nodes.

India’s semicon push

Under the Semicon scheme unveiled in December last year, the Centre will make large, upfront investments – 50% fiscal support as per recent modifications – to back the semiconductor wafer fab proposals filed by various corporate entities.

In some cases, the governmental capital support could touch 70% after including sops by the states as well, making it a one-of-kind push by the government to seed an industry ecosystem in India. All fab applicants are currently awaiting

after the government broad-based incentives across nodes and formats in September.

An industry official, on conditions of anonymity, told ET: “Based on my interactions with ministry officials, the approval timelines may be stretched as far as February, with the display panel and ATMP (assembly and packaging), and compound approvals streaming in before those for the capital-intensive semiconductor proposals.”

Meanwhile, the Vedanta-Foxconn joint venture for its \$20-billion semiconductor and display panel fab plants in Gujarat is gathering steam. Foxconn Chairman Young Liu is expected to make his second visit to meet Prime Minister Narendra Modi, in late November. The Singapore-headquartered IGSS, which has proposed a foundry fab in Tamil Nadu, is looking at closing an equity deal with an Indian corporate entity this month, sources said.

India’s semiconductor ambitions come at a time of geopolitical tensions between China and Taiwan, home to the world’s largest contract chipmaker [TSMC](#). Taiwanese government officials and businesspersons arrived in India last week to bolster ties in various segments including electronics and chips. In parallel, the US government is pushing American brands to move contract manufacturing out of China to other destinations such as India. Apple, for example, has significantly diversified iPhone assembly to India, raising demand for domestic semiconductor manufacturing in India.