

## Apple to manufacture iPhone14 in India



Source: Economic Times

Read this headline in today's Economic Times. Success of Atmanirbhar Bharat, which is of course work in progress, is on full display.

Apple iPhone14 to be launched soon and that it could be manufactured simultaneously in India along with China is **BIG** news.

Apple a company which has been known to be overly dependent on China and its electronics manufacturing infrastructure. This has been a cause of worry for the senior management of Apple for some time now. Replacing China has been a challenge for many electronics giants as the manufacturing scale which is required is not possible in Vietnam or Philippines or Indonesia.

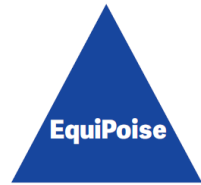
De-risking China or single country dependence is part of normal business risk management but the can got frequently kicked down the road. Replacing China had become a necessity and needed a push or wakeup call in the form of Covid, Ukraine, zero Covid policy and now Taiwan. Pandemic and geopolitics has made China most unreliable supply chain partner and the western world vulnerable to China. China Plus One (China +1) has been in the making, been discussed for some time and now it has become almost a compulsion.

While Apple iPhone 14, yet to be launched worldwide is going to be manufactured in India simultaneously with China, is great but is it a one-off event?

Two data points that I came across suggest it is a trend now.

During the ongoing quarter one FY2023 results I stumbled upon VIP Industries Ltd - one of Asia's leading luggage, bags manufacturing company. From 40% of their finished goods

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manufactured in China in FY2020, they have brought down to 8%. Around 35% of finished goods manufactured in their own in-house facilities earlier, they have now achieved 65% and aspire to touch 80% this year itself. VIP has shifted out to China big time.

Another company Korean electronics giant Samsung shifted lock stock and barrel from China and uprooted their **ENTIRE** plant from China and set it up in Uttar Pradesh, India. This is huge development. Manufacturing is indeed shifting to India but the pace is slower than desired, and time is running short.

Let me explain the “time is running short” part.

We have all been hearing about “Atmanirbhar Bharat” and the initiatives like PLI (Production Linked Incentives) schemes announced by Government of India to incentivise manufacturing here.

Well, there is another country which is aggressively trying to welcome manufacturers by offering similar type of incentives but on a much larger scale. It is USA.

America has announced incentives of +USD290bn to companies setting up manufacturing units in the country. Even the semiconductor industry has been given USD54bn incentives for setting up fabrication units. To give you a perspective, PLI announced by India in semiconductor manufacturing is Rs.76,000 crores or around USD10bn. USA is offering 5x of that. In my opinion the state to watch out will be Texas which border Mexico (abundant cheap labour).

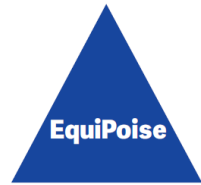
Another interesting data point is that one child policy has nullified China’s labour cost advantage over US. Yes, you read it right. China can no longer compete with US on this parameter. All that US lacks is manufacturing infrastructure since it had moved to China and other low-cost countries. USA is working hard to fix this gap.

China+1 is a reality now. US has woken up to grab a major share of this and rightfully so, for they are the major market which was being served. China+1 presents huge opportunity for India if and only if we move superfast and we must.

Will we? Time will tell.

Ashish Wakankar

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**EquiPoise Capital Management Pvt. Ltd.**

505 Keshava, Bandra Kurla Complex, Bandra (E), Mumbai - 400051, INDIA | +91 22 40221203 | [www.equipoise.in](http://www.equipoise.in)