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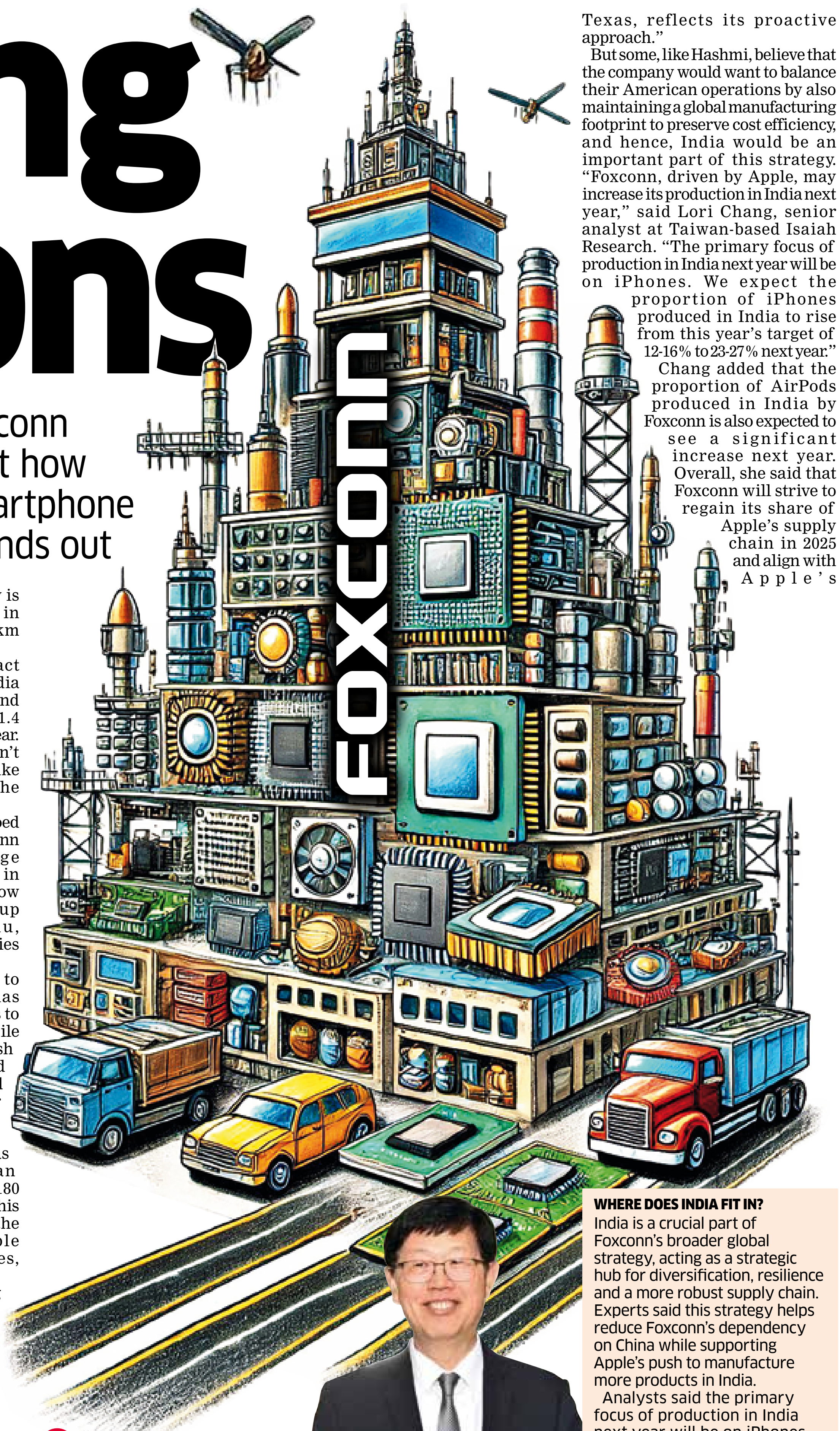
Towering Ambitions

As Apple looks to diversify away from China, Foxconn has been doubling down on its India presence. But how successful will it be in its bid to move beyond smartphone assembly and into emerging sectors? **Dia Rekhi** finds out



Global revenue of Foxconn, the planet's biggest contract manufacturer of electronic gadgets: $198 billion in 2023. Odds are mighty high that the latest six-figure iPhone or very soon even the Google Pixel that amps up your swag quotient might owe its existence to a Foxconn shopfloor.

And yet, the story began rather modestly in India, 18 years ago. But lately, as India climbs the affordability and style quotient ladder, the Taiwanese major is pumping in billions to expand its manufacturing footprint in the country.

Expansion of current facilities and product portfolio, establishment of new greenfield facilities and alliances with other Indian conglomerates that allow entry into sunrise sectors - diversification and dominance happen to be Foxconn's pronounced leitmotif in India's gadget manufacturing.

In 2006, Foxconn started operations in Chennai to make products for Nokia, then the leader in handsets in a country at the cusp of a data revolution. For a decade, its presence was rather sedate. A turning point came in 2017 when the company began manufacturing iPhones in Sriperumbudur, a special economic zone (SEZ) outside Chennai. Since then, it has been instrumental in the India electronics manufacturing boom — buoyed by insatiable demand from Apple.

CHINA PLUS ONE

As Apple looks to diversify away from China, India has been a big beneficiary. Foxconn has immensely stepped up its investments in mobile assembly in India and this is expected to get only more intensified as Apple sharpens its India focus.

But Foxconn's expansion is not limited to just smartphone assembly. The company also has a huge factory coming up in Bengaluru and has a spanking new unit near Hyderabad that is expected to start producing AirPods shortly. The company's semiconductor aspirations too seem to be taking off with its announcement to invest $37.2 million and joining hands with IT major HCL to establish a chip packaging and testing facility in India. The announcement came after its joint venture with the Vedanta Group fell through.

All of this signals the company's vision to move up the value chain and go beyond smartphones. This was something that chairman Young Liu reiterated on his visit to India in August when he said Foxconn was looking to make products for sectors like information and communication technology (ICT), electric vehicles (EV), energy and digital health in its next phase of growth.

> **WHAT IS FOXCONN'S DIVERSIFICATION STRATEGY?**
> Foxconn's 3+3 growth model focuses on three industries — EVs, digital health and robotics — and three key technologies: Artificial intelligence, semiconductors and next-generation communication. A few years ago, the company said it will follow the BOL model (build, operate and localise) to expand and be closer to its customers or where its customer wants to build.

"We want to move up on the value chain as much as we can in India. That's what we will be doing in the ICT sector," he said on the sidelines of the inauguration of the company's massive industrial housing project in Sriperumbudur. "For sectors other than ICT, we think EVs and energy and also the digital health industry, like wearables for personal use, home use type of medical devices."

Dhruv Shekhar, a senior associate at Koan Advisory Group, said that the company's diversification strategy is encapsulated in its 3+3 growth model which focuses on three industries: EVs, digital health and robotics — and three key technologies: Artificial intelligence, semiconductors and next-generation communication. He said the strategy highlights Foxconn's ambition to transition from a traditional electronics manufacturing giant to a comprehensive technology solutions provider.

"Foxconn's global model is centred on large-scale contract manufacturing, leveraging economies of scale and maintaining an efficient, integrated supply chain. However, it has evolved its strategy in recent years to diversify its portfolio and reduce its reliance on traditional contract manufacturing," he explained.

ONE FOR THE ROAD

In the case of energy, Foxconn is looking to target batteries, which will be related to its larger EV strategy, and is setting up a battery energy storage system (BESS) plant in Tamil Nadu, which would be its second globally. Last month, ET had reported that the company is assessing land near Manallur in Tiruvallur district, about 50 km north of Chennai.

Liu said the iPhone contract manufacturer's business in India has grown to over $10 billion, and that Foxconn had invested $1.4 billion in India till August this year. Interestingly, after iPhones, it isn't just BESS but also products like iPads and AI servers that the company is targeting.

And now, Foxconn is being wooed by several states to set up a 'Foxconn City', akin to their large establishments in Zhengzhou in China. Liu already spoke of how Foxconn is looking to set up townships in Tamil Nadu, replicating its model in countries like Taiwan and China.

And other states don't want to be left behind. Telangana has offered the company 2,000 acres to build a 'Foxconn city' there, while sources said that Andhra Pradesh had offered it 2,500 acres to build an industrial park and Karnataka offered it 300 acres for a supplier park.

Another big-ticket investment that came through this year was Foxconn-subsidiary Yuzhan Technology pumping in ₹13,180 crore for a unit in Tamil Nadu. This will be the first such unit in the country that will assemble smartphone display modules, primarily for Apple.

Queries sent to Foxconn seeking comment remained unanswered.

STRATEGIC BEACHHEAD

"India is a crucial part of Foxconn's broader global strategy, acting as a strategic hub for diversification, resilience, and a more robust supply chain," said Sana Hashmi, post-doctoral fellow at the Taiwan-Asia Exchange Foundation. "This strategy helps reduce Foxconn's dependency on China, while supporting Apple's push to manufacture more products in India. Foxconn's plans align closely with India's 'Make in India' initiative, which promotes foreign investment and domestic manufacturing through incentives, infrastructure development, and tax breaks."

However, Hashmi warned that Apple may now increase investments in the US, driven by government incentives and Trump-era policies, especially 'America First'.

"President Trump's victory and his tariff policies have introduced significant uncertainty into global manufacturing strategies," Shekhar said. "Liu has emphasised that the company will finalise its US strategy only after January 20, once Trump assumes office and his tariff policies become clearer. In this context, Foxconn's recent $33-million investment through a subsidiary to acquire land and factory buildings in Harris County, Texas, reflects its proactive approach."

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> — **Young Liu,**
> Chairman, Foxconn

But some, like Hashmi, believe that the company would want to balance their American operations by also maintaining a global manufacturing footprint to preserve cost efficiency, and hence, India would be an important part of this strategy. "Foxconn, driven by Apple, may increase its production in India next year," said Lori Chang, senior analyst at Taiwan-based Isaiah Research. "The primary focus of production in India next year will be on iPhones. We expect the proportion of iPhones produced in India to rise from this year's target of 12-16% to 23-27% next year."

Chang added that the proportion of AirPods produced in India by Foxconn is also expected to see a significant increase next year. Overall, she said that Foxconn will strive to regain its share of Apple's supply chain in 2025 and align with Apple's expectations, with a major collaborative effort centred on increasing the proportion of production in India.

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Counterpoint research vice-president Neil Shah also believed that as Apple grows its footprint with a China+1 strategy, Apple's key partners such as Foxconn and Tata will benefit which will give them instant scale to expand into other product categories and also be a successful part of PLI scheme and avail the benefits.

"India is becoming an important part of Foxconn's strategy beyond China, Taiwan and Vietnam as the market is on the cusp of growth and government policies encouraging incentivised local manufacturing offers lower barrier opportunities to expand and grow," Shah said. "Foxconn's new strategy which it unveiled a few years ago, follows the BOL model (build, operate and localise) to expand and be closer to its customers or where its customer wants to build."

SPEED BUMPS

Foxconn's rise has not been without controversies. In December 2021, a food poisoning incident took place at its facility in Tamil Nadu which led to the factory being put on probation by Apple and shuttered briefly. This year, the company found itself fighting allegations of discrimination in its hiring practices when reports surfaced that it does not hire married women.

However, Liu debunked these allegations and said that Foxconn hired regardless of gender. "Women do make up a big part of our workforce here. I'd emphasise that married women greatly contribute to the efforts of what we are doing here," he said.

But there are other concerns surrounding the wellbeing of the employees too — a majority of whom are women. "I am concerned about the reproductive health of young women," Dr Jenny Chan, co-author of the book Dying for an iPhone, told *ET*. "The effect of aluminium dust and other toxic materials should not be underestimated on pregnant women. Especially in India, where the proportion of women is more, it is important that Foxconn should provide women with maternity leave, enough time to rest and recuperate because not getting enough sleep can be really harmful to the body and health."

She added that nutritious food for workers should also be a must. In addition, having hygienic and welcoming living spaces was crucial. Additionally, providing workers with a good overall production schedule and access to counsellors and mental health practitioners is also important.

"Health is not an isolated issue," Chan explained. "What I have observed in Foxconn's facilities is that even though there are multiple people sharing a room, they hardly have time to interact or get to know each other, because the shifts are different and after work, they are too tired. Friendship and social support is equally important to overall health."

THE ROAD AHEAD

Hashmi said that Foxconn's success in India would depend on a well-rounded strategy that focuses on local production, workforce development, sustainability and community ties.

"By strengthening supply chains, investing in workforce education, and fostering local partnerships, Foxconn can become a key driver of India's economic growth, social progress, and technological development, enhancing its role in global manufacturing and innovation," she said.

Shah also said that as Foxconn sets up manufacturing ecosystem at scale, initiatives such as cleaner, safer work and social-centric housing environments will be critical. "From building good education to medical facilities for the employees who have migrated to work at Foxconn will be of paramount importance. Further, having effective and impactful ESG policies will also be important for Foxconn to build strong mindshare and market share in India," he said ●