

Lava to soon shift manufacturing base from China to India

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NEW DELHI: Lava, the country's fourth-biggest smartphone maker, could become the first local mobile handset company to start domestic production as Prime Minister Narendra Modi's 'Make-in-India' push helps the country to become an attractive alternative to China as a manufacturing base.

The company, which sells Lava and Xolo branded phones, plans to spend Rs 500 crore in local operations over three years, after which it will shift most or all of its production from China to India.

Starting in April, Lava will assemble devices at its Noida plant, which is now used for repairs, with an initial investment of Rs 20-30 crore. By then, it may have the capacity to make 200,000 units a month, which is projected to be ramped up to 1 million by March 2016.

"We are just about to finalise six places in three states" to accommodate the entire ecosystem around handset manufacturing, one of which will house the company's plant as well, Hari Om Rai, Chairman and Managing Director of Lava International, told ET. "The central government is giving 25% subsidy and various state governments are offering VAT-free operations, among others."

Most handset companies have shunned India as a manufacturing base until now, citing the unavailability of components and other issues. Nokia's plant near Chennai was kept out of the sale to Microsoft last year because of a tax dispute and was subsequently closed.

Modi's 'Make-in-India' campaign, aimed at creating jobs and spurring growth, may change perceptions as it includes major initiatives to facilitate investment, foster innovation, protect intellectual property and build best-in-class manufacturing infrastructure.

Rising costs in China Rai said the rapidly rising cost of labour in China was among the reasons for moving operations to India, which, with its vast talent pool and employment potential, offers a feasible alternative.

"Companies in China that are part of the mobile ecosystem are eager to come to India to put up plants. India is ready as land is available at the right price, clearances are much faster, with not much of bureaucracy," Rai said. Lava's phones are made at a facility in Shenzhen, China, with software-related research and development in Bangalore.

Lava had an 8% share of the overall phone market in India and 6% in smartphones in the April-June quarter, according to market research company International Data Corporation. Vendors sold 63.21 million phones in the country during the quarter, with smartphones clocking an 84% increase in sales to 18.42 million units.

While the lack of a mobile ecosystem has been cited as a major reason for not manufacturing in India, handset companies have complained that monetary incentives alone aren't enough. They note that in China, manufacturers have several options for phone components such as cameras and plastic and metallic bodies.

The Indian Cellular Association, an organisation promoting the development of the mobile cellular handset industry in the country, is in advanced talks with the governments of Rajasthan, Uttar Pradesh and Andhra Pradesh for land, according to its president Pankaj Mohindroo. "There's a firm expression of interest from Lava and Intex. The other two -- Micromax and Karbonn -- are making up their mind," Mohindroo said. He added that the Department of Electronics and Information Technology has set up a task on force to set up electronic manufacturing clusters.

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