



OEMs

Television brands continue to outsource TV manufacturing, albeit the quantum decline in 2011.

Television and picture tube industry received a major setback in 2011, with the change in the political helm in Tamil Nadu, which no longer needed to distribute the 14-inch TV sets to the people.

Alleging that the previous Dravida Munnetra Kazhagam (DMK) government introduced its free color television distribution scheme only to promote the cable TV business run by members of the family of her predecessor M. Karunanidhi, Chief Minister Jayalalithaa, decided that the 0.13 million TV sets yet to be distributed under the scheme would be given away to government institutions such as hospitals, orphanages, government schools, panchayats, government hospitals, health sub-centers, and anganwadi centers.

Of the tender for 1 million sets in the sixth and final phase, the purchase was cancelled for 0.75 million sets, for which procurement orders had been placed, but were yet to be delivered.

Contract manufacturing in 2011 is estimated at 3.56 million sets, a 43.4 percent decline over last year. The companies including PG Group, Dixon, Noble, Kapkan, Malhotra Electronics, and CK Electronics registered

a combined decline of around 48 percent over last year. PVR and East India completely shifted their focus out of this business in the year 2011.

With wafer-thin profit margins, the OEMs are moving toward becoming ODMs (original design manufacturers) and designing as well as manufacturing finished products on a larger scale, as opposed to only manufacturing them based on the design specifications given by the clients.

PG group manufactured 890,000 CRT TVs and 16,000 LCDs in the year 2011. The major customers include LG, Videocon, Onida, SVL, Beltek, and some minimal deliveries to ELCOT.

Nainko supplied 750,000 sets to its sole client LG in 2011. The company has bagged *Best Quality Practices Award-2011* from LG among its 45 competitor suppliers.

Dixon has an annual manufacturing capacity of 2 million color televisions and 50,000 LCDs. The company was recently honored with the Best EMS Company award in the country by CEAMA. Dixon manufactured 600,000 color televisions, valued at ₹1.7 crore in the year 2011. Its major customers include LG, Toshiba, and modern retail chains as Walmart, Carrefour, and Croma. The company supplied 20–21-inch flat and slim televisions to LG, 24-inch, 32-inch, and 40-inch LCDs to

Toshiba, and CTVs in smaller sizes to Akai and Salora. The company has exported over 300,000 CTVs to Western Europe and the African continent.

There has been organizational restructuring at Weston. The Dixon team, headed by Sunil Vachani is not manufacturing and marketing the Weston brand since March 1, 2012. Perhaps at a later date, brand Dixon may be launched. Dixon has also seen the exit of Sunil Sethi, COO, Dixon Technologies India.

Weston shall now be marketed and headed by Ravi Vachani (and his son Sahil). The OE sourcing of televisions shall perhaps be done from Conic Enterprise.

TV Veopar was, however, not able to confirm this either with Ravi or Sunil.

Indo Count has LG, Mirc, and Reliance Retail as its major clients. The company supplied 275,600 TV sets in the year 2011. Shifting focus toward LCDs, Indo Count is targeting a 40-percent growth this year.

Kinger manufactured 185,000 color televisions in the year 2011. T-Series, Akai, and Markson are the major clients of the company. The company now manufactures 2000 LCD/LED TVs per month and is targeting to manufacture 5000 TVs per month.

Noble has shifted its focus toward LCD sets and manufactured 145,000 LCD sets in 2011. It is also manufacturing coolers for OEMs and ODMs.

Malhotra Electronics has shifted its focus from being an OE manufacturer to manufacturing components for the industry. TV cabinets and TV chassis are the main area of focus. The major clients in 2011 included Weston, Airvision, Santron, and Kortek. The company has a manufacturing capacity of 700,000 TV sets, 900,000 TV cabinets, and 700,000 TV chassis per annum. The vendor had an order for supply of 80,500 TV sets to Elcot, but the final delivery was 15,000 sets only. It manufactures for regional brands with Orson being its major buyer.

The Road Ahead

Electronic manufacturing services in-

OE Production (No. of Sets)		
Contract Manufacturer	2011	2010
PG Group	906,000	2,010,000
Nainko	750,000	700,000
Dixon	600,000	950,000
Kapkan (Evershine Group)	300,000	400,000
Indo Count	275,600	260,000
Kinger	185,000	152,000
Noble	145,000	400,000
Malhotra	135,000	261,000
CK Electronics	36,000	50,000
East India	–	600,000
PVR	–	105,614
Others	218,764	386,386
TOTAL	3,551,364	6,275,000

Contract Manufacturing 2011 (Some Details)	
Customers	Units (No. of Sets)
PG Group	
LG	615,000
Videocon	50,000
Onida	115,000
Beltek & SVL	101,000
ELCOT	25000
Nainko	
LG	750,000
Kapkan	
LG	300,000
Indo Count	
Mirc Electronics	155,000
LG Electronics	120,000
Reliance Retail	600
Kinger	
Akai	100,000
T-Series	60,000
Markson	25,000
Malhotra Electronics	
Elcot	15,000
Orson and others	120,000
CK Electronics*	
Beltek	27,000
Salora	9000

*Jan–Jun 2011

dustry provides an opportunity for a range of manufacturing services for original equipment manufacturers, from printed circuit board assembly, to design, prototyping, final system assembly, configuration, order fulfillment, repair, and aftermarket services. The overall competitive position depends upon a number of factors, including manufacturing technologies and capacity, the quality of manufacturing processes and products, ability to deliver on-time, and cost effectiveness.

Electronic contract manufacturing services market, involving the participation of companies engaged in providing manufacturing services to various OEMs is one of the most rapidly growing industries in the electronic assembling arena. Over the years, EMS companies have been able to broaden the spectrum of services offered by them from simple manufacturing of components, to more complex manufacturing services, thus leading to an increased number of OEM's outsourcing much of their manufacturing. A recent study of Frost & Sullivan has revealed that the next five years will witness a significant change in OEMs' perception of their contract manufacturers. The market is expected to witness increasing impetus from OEMs to create a meaningful partnership with EMS providers and ODMs. The rapidly changing business environment – economic changes, globalization, and diminishing product cycles are expected to bring unprecedented increase in responsibilities for EMS providers and ODMs.

With technology and product innovation becoming vital for success, OEMs are anticipating a burden of decreasing barriers to entry and increasing competition. This is expected to increase OEM reliance on contract manufacturers. Cost effectiveness and return on investment (RoI) may remain the primary drivers for outsourcing. OEM perception is projected to evolve from a single-minded focus on pricing to a well-rounded analysis on total cost of ownership in all end-verticals.

EMS providers and ODMs are striv-

ing more for collaborative partnerships to develop new products. Being a trusted partner will allow contract manufacturers to be more integrated with their clients and a true extension of the customers' operations, thus improving RoI, manufacturing, and new product designs.

Technology partnerships that cater to emerging hi-tech product innovation are likely to be on the rise while product innovations can propel EMS and ODM growth in consumer electronics. Since product design is crucial for OEM differentiation, the EMS role in design for manufacture (DFM) and test support is expected to leapfrog in the next 10 years.

EMS providers and ODMs are planning to transform their business operations to respond effectively to change (in terms of demand fluctuations, product innovations, and the like). The evolving business model appears to be transparent, agile, and responsive to proactively adhere to demands of dynamic business environment.

Global Industry Analysts Inc. reports that the global EMS market is projected to reach USD 231.4 billion by the year 2015, driven by the rapid increase in ownership of electronic goods in high-population and developing countries of China, Brazil, Russia, and India. ODMs have exhibited resilience in adverse conditions. This strong growth potential of ODMs is also attributed to strengthening of their presence in the fast-growth LCD TV market.

Asia Pacific and Europe dominate the global EMS market. The continuous shift of production facilities to low-cost offshore locations is proving beneficial for Asia, East Europe, and Latin America markets. India and China represent countries with vast potential due to lower labor costs. While the electronics supply base in India is in an early growth phase, China is a well-established manufacturing location with infrastructure and labor as other competitive advantages. ■

Based on research conducted by TVJ in February 2012