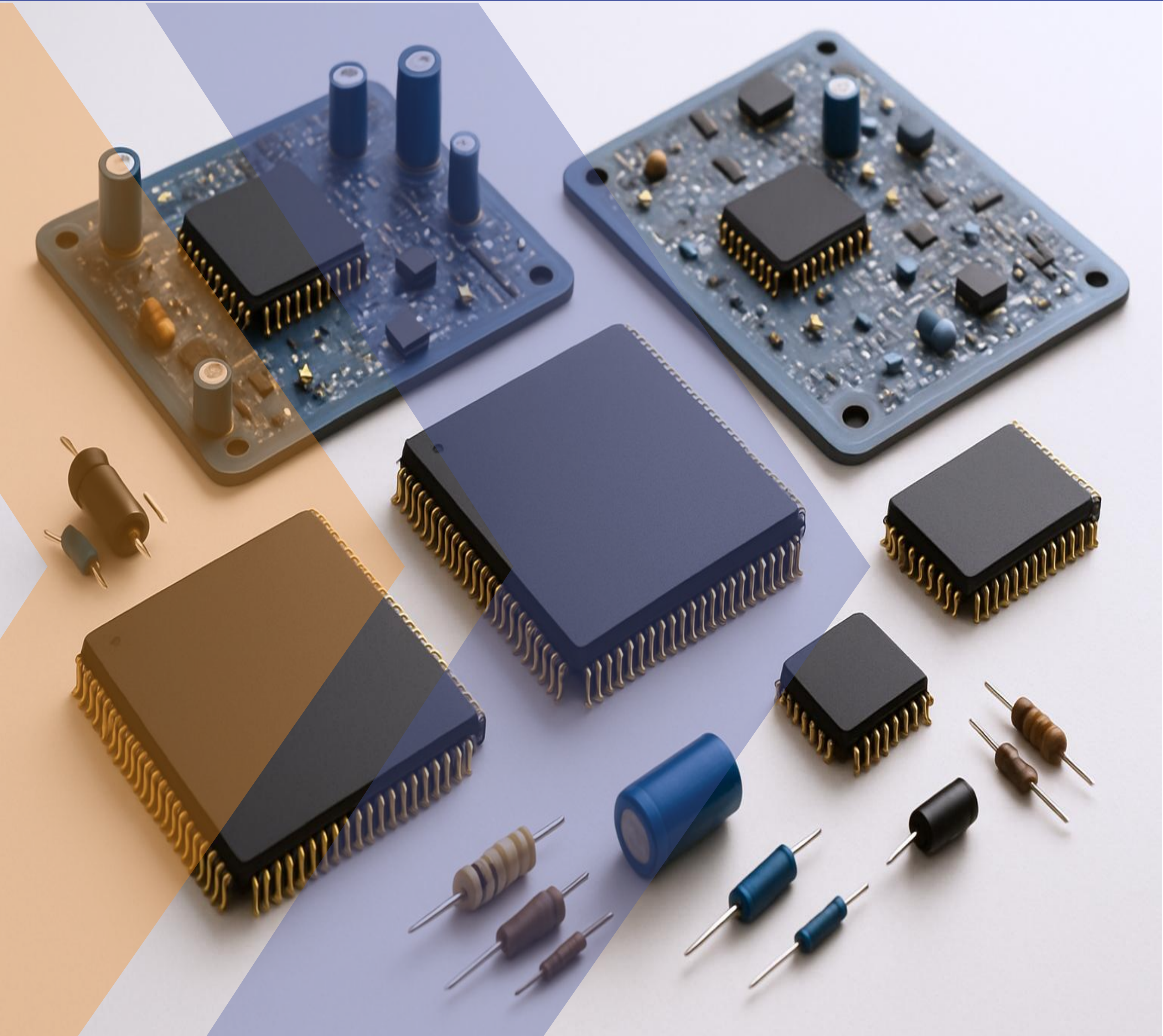
Electronics Component Manufacturing Scheme

Incentive Scheme to Deepen India's Electronics Ecosystem



Background

The *Electronics Manufacturing Sector* in India has experienced significant growth over the past decade, emerging as one of the fastest-growing and most strategic industries globally due to ongoing digitisation.

With electronics permeating nearly every sector of the economy, the industry holds immense economic and technological significance.

The Ministry of Electronics and Information Technology (MeitY) had notified the Phased Manufacturing Programme, National Policy on Electronics 2019, and Production Linked Incentives (PLI) to boost electronics manufacturing in the country.

As a result of these initiatives, the domestic production of electronic goods increased five times from INR 1.90 lakh crore (USD 30 Billion) in FY2014-15 to INR 9.52 lakh crore in FY2023-24 (USD 115 Bn) (industry figures) at a Compound Annual Growth Rate (CAGR) of more than 17%.

Further, the PLI scheme for Large Scale Electronics Manufacturing (LSEM) has also catalysed growth of electronics manufacturing led by mobile phones, resulting in exponential growth in electronics export from INR 81,822 crores in FY 2020-21 to INR 2,41,157 crores in FY 2023-24 at the CAGR of more than 43%.

India's electronics manufacturing landscape has evolved in phases—from assembling finished goods to sub-assemblies and now advancing into deep component manufacturing.

To help India move up the electronics value chain, it is crucial to foster a supportive ecosystem for domestic manufacturing of components and sub-assemblies.

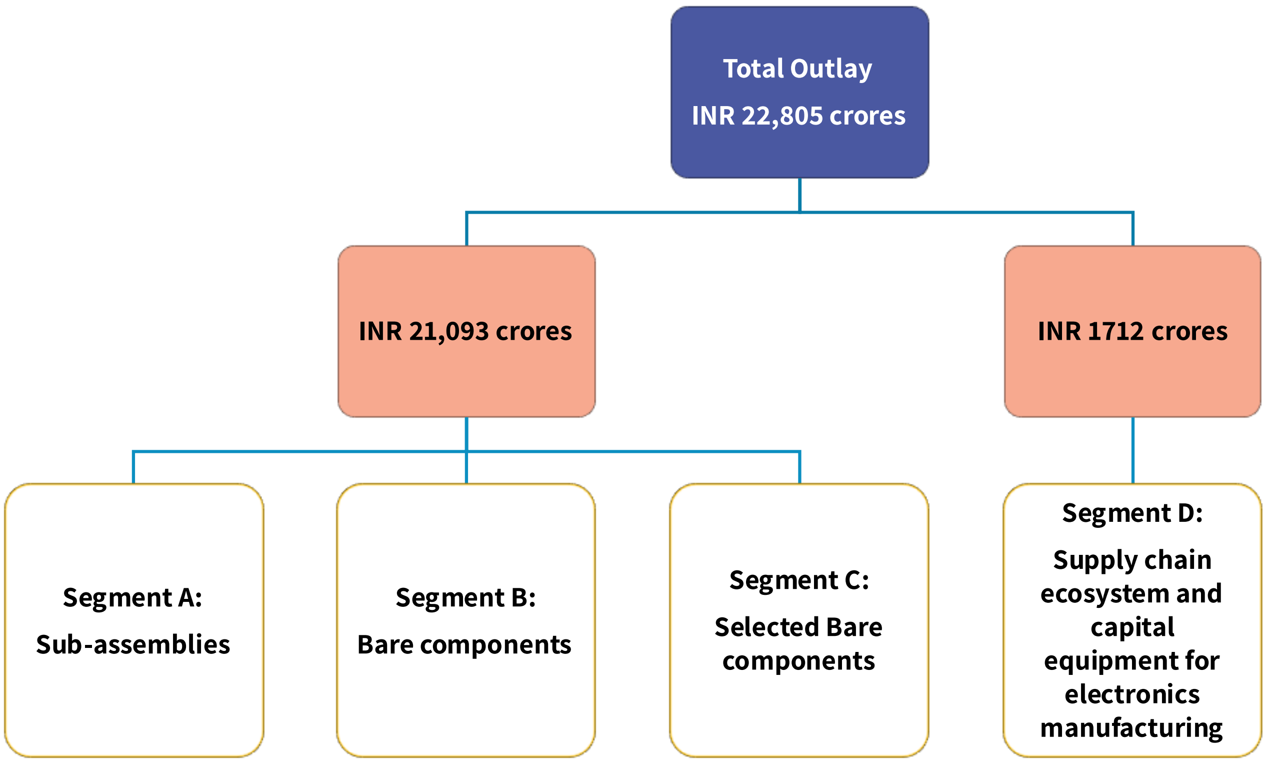
Components are the heart of electronics products and constitute a significant part of the total value of the finished product.

Domestic component manufacturing would not only lead to a significant increase in the domestic value addition but also result in savings in significant foreign exchange by reducing imports.

Accordingly, the Central Government has launched the **Electronics Component Manufacturing Scheme ('ECMS')**, notified on April 8, 2025, to achieve "*Atmanirbharta in electronics supply chain ecosystem*" by offering incentives for component manufacturing in India. Guidelines for the Operation of the Electronics Component Manufacturing Scheme have also been issued on April 26, 2025.

Salient features of the Scheme

- ECMS aims to deepen the manufacturing ecosystem, reduce import dependency, and establish India as a global hub for electronics production.
- The scheme has a total budget outlay of INR 22,919 crores.
- The target segments under the Scheme and the outlay for each of the segments are depicted in the diagram below:



- The overall tenure of the scheme is 6 years with a 1 year gestation period, i.e., March 31, 2032.
- The gestation period is applicable for target segments (A), (B) and (C).
- Financial Year (FY) 2024-25 shall be treated as the base year for the computation of turnover linked incentive under the scheme.
- The applicant may opt for a gestation period of one year and in such cases, the base year would be FY 2025-26.
- The applicant may choose FY 2025-26 or FY 2026-27 as 1st year of incentive.
- The incentive shall be given for a period of 6 consecutive years from the 1st year of incentive opted by the applicant.

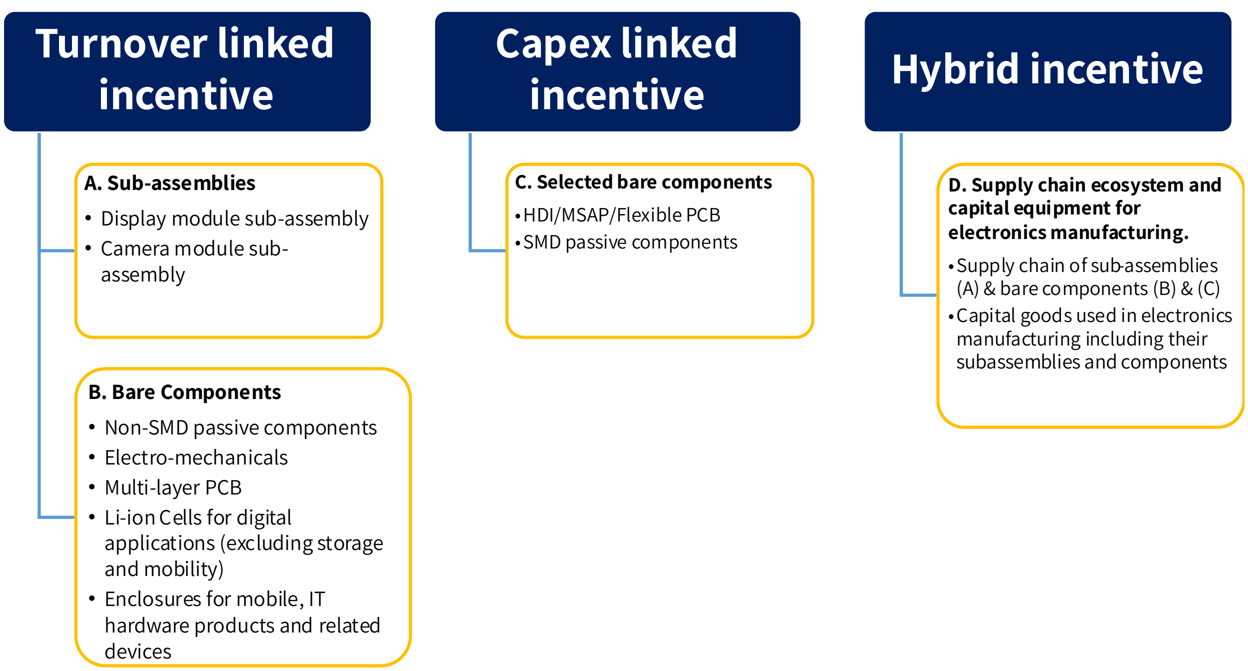
- For applicants selecting FY 2025-26 as the 1^{st} year of incentive, the incentive period shall be from FY 2025-26 to FY 2030-31.
- For applicants selecting FY 2026-27 as the 1^{st} year of incentive, the incentive period shall be from FY 2026-27 to FY 2031-32.
- For target segments (D), the scheme shall be open for applications initially for a period of 2 years from May 1, 2025. The fiscal support shall be available for investments made within 5 years from the date of acknowledgement of the application.

Governance Mechanism

- The scheme will be implemented by the Ministry through a nodal agency serving as the Project Management Agency (PMA).
- PMA will handle application receipt, scrutiny, issuance of acknowledgement letters, and submission of appraisal reports.
- MeitY will constitute a Governing Council (GC) chaired by the MeitY Secretary, with members from NITI Aayog, Department of Expenditure, Economic Affairs, DPIIT, DoT, and the Ministry of Heavy Industries.
- The GC will review appraisal reports from PMA and recommend proposals to the competent authority for approval.

Incentives

There are three types of incentives offered to the target segments under the scheme, as outlined below:



Basis of Incentives

Turnover linked incentive

- The incentive shall be given on net incremental sales (over the base year), multiplied by the incentive rate as given in Annexure I.
- For disbursement of turnover linked incentives, the incremental sales and cumulative incremental investment shall be mandatory criteria.
- Out of the total turnover linked incentive eligible rate, 1 % shall be disbursed only on meeting the cumulative incremental employment threshold criteria as per Annexure I.
- In cases where an applicant meets incremental sales threshold and cumulative incremental investment threshold but is unable to meet cumulative incremental employment threshold, the turnover linked incentive shall be disbursed after deducting 1 % (of incentive rate) from the eligible rate.

CAPEX incentive

- The incentive shall be given on eligible incremental capital expenditure, multiplied by the incentive rate as given in Annexure I.
- For the disbursement of CAPEX incentive, meeting the investment threshold and commencement of commercial production shall be mandatory criteria.
- Out of the total capex incentive rate (25%), 5% of the capex shall be disbursed only on meeting cumulative incremental employment threshold as per Annexure I.
- In cases where an applicant meets the investment threshold and commencement of commercial production but is unable to meet the cumulative incremental employment threshold, the capex incentive shall be given by deducting 5% (of incentive rate) from the eligible rate.

Qualifications and eligibility

General

- Greenfield as well as brownfield investment for the target segment shall be eligible.
- Separate applications for each Target Segment product.
- Multiple applications for the same product covered under the target segment shall not be eligible.
- If an applicant is having foreign direct investment (FDI), it should be in compliance with the FDI Policy circular 2020.
- As per cabinet approval dated March 28, 2025 (CD-076/2025), those acknowledged applications under the SPECS (notified vide notification no. W-18/30/2019-IPHW-MeitY dated April 1, 2020), which could not be considered due to limited budget availability, would be considered under

ECMS for approval if they meet qualification and eligibility criteria under the scheme.

- Manufacturing through contract manufacturer(s) will not be considered eligible under the scheme.

- The applicants may outsource a few parts of manufacturing process to domestic manufacturers on a job work basis. However, such job work should not form a significant part of manufacturing.

- Ineligibility for incentive for any particular year shall not restrict the applicant from claiming incentive for subsequent years during the tenure of the scheme, provided eligibility criteria are met for such subsequent years.

- Ineligibility for incentive for any particular year shall not restrict the applicant from claiming incentive for subsequent years during the tenure of the scheme, provided eligibility criteria are met for such subsequent years.

- Eligibility under this scheme shall not affect eligibility under any other scheme and vice versa.

- However, investments/sales incentivised under any other scheme of the Government of India shall not be eligible for incentive under this scheme.

- The Scheme also provides for product specific criteria for incentive.

For Segments (A), (B) and (C)

- The applicant, its group companies and joint ventures (JV) shall be required to meet either the minimum consolidated global ESDM revenue or manufacturing revenue for FY 2023-24 as indicated below:

Sr. No.	Target Segment	ESDM Revenue (in crores)	Manufacturing Revenue (in crores)
1.	Display module sub-assembly	250	750
2.	Camera module sub-assembly	250	750
3.	Non-SMD passive components	50	150
4.	Electro-mechanicals for electronic application	50	150
5.	Multi-layer PCB	50	150
6.	Li-ion Cells for digital applications (excluding storage and mobility)	250	750
7.	Enclosures for mobile, IT hardware products and related devices	250	750
8.	HDI/MSAP/Flexible PCB	500	1500
9.	SMD passive components	250	750

- Companies using the calendar year must report revenue on a financial year basis.

- For JV applicants, revenue will be a weighted average based on shareholding. If the ESDM company holds the majority, JV revenue counts as ESDM revenue; otherwise, it will be treated as manufacturing revenue.

- The applicant, not meeting the global ESDM revenue threshold but meeting the manufacturing revenue threshold, shall submit details showing its technological capability for the target segment such as in-house capability, binding term sheet agreement with a technology partner, Transfer of Technology agreement or any other relevant supporting document demonstrating technological capability.

For Segment (D)

- The applications for this target segment shall be appraised on an ongoing basis.

- The applicant(s) shall submit financial capability by providing a net worth certificate not older than March 31, 2024.

- Net worth must be at least 50% of the proposed investment.

- If below 50%, a board resolution detailing the committed investment and funding source is required.

- The net worth of the applicant shall be computed as per section 2(57) of the Companies Act, 2013, based on the latest audited balance sheet.

Additional incentive and ceiling:

- An additional incentive of 1% and 2% on domestic sourcing/manufacturing of laminate for multi-layer PCB manufacturing and of Cathode Active Material (CAM) for Li-ion cell manufacturing, respectively.

- The overall ceiling on incentive shall be 50% of the cumulative actual eligible incremental investment made by the applicant during the scheme tenure. It would not include the additional incentive for the target segment products as mentioned in the previous paragraph.

Investment

- "Investment" shall mean capital expenditure, which includes expenditure on plant, machinery, equipment, associated utilities, tools, dies, moulds, jigs and fixtures (including parts, accessories, components, and spares thereof), used in the design, manufacturing, assembly, testing, packaging or processing of any target segment goods.

- It also includes expenditure on packaging, freight transport, insurance, and erection & commissioning of the plant, machinery, equipment, and associated utilities.

- Associated utilities would include captive power, effluent treatment plants and essential equipment required in manufacturing of target segment such as clean rooms, air curtains, temperature & air quality control systems, compressed air, water & power supply, control systems, etc.

- Associated utilities would also include IT and ITES infrastructure used in manufacturing target segment including servers, software, and ERP solutions.

- The associated utilities will be capped at rates specified in the CPWD schedule of rates for items whose rates are available under the CPWD schedule of rates.

- The expenditure on packaging, freight/ transport, insurance, and erection & commissioning would be on actual basis and shall be capped at 7.5% of the base cost.

- The capital expenditure on in-house research & development (R&D) and product development for the target segments are eligible investment under the scheme. This shall include all stages of value chain of the proposed target segment including designing, development and prototyping.

- All non-creditable taxes and duties, expenditure towards Transfer of Technology and royalty may be included for the computation of cumulative incremental investment for the purpose of meeting threshold criteria. However, it shall not be incentivised under the scheme.

- The expenditure incurred on **land and building (including factory building/ construction)** required for the Project/ Unit **shall not be considered as an eligible investment**.

- The expenditure on **consumables and raw materials used for manufacturing shall not also be considered as an eligible investment**.

- The used/second hand/ refurbished plant, machinery and equipment are allowed under the scheme, which have a minimum residual life of at least 5 years, at the time of transfer of assets {as per Hazardous and Other Wastes (Management and Transboundary Movement) Rules, 2016, amended vide Ministry of Environment, Forest and Climate Change Notification dated June 11, 2018}.

- The plant, machinery and equipment should be used in the regular course of manufacturing for target segment goods. This does not preclude the usage of such machinery for manufacturing other electronic goods.

- Date of invoice for purchase towards capital expenditure shall be considered as the date of investment subject to capitalisation of assets in the books of account.

- For target segments (A), (B) and (C), the cumulative incremental investment shall be considered from the date of notification of the scheme.

- For acknowledged applications under the SPECS, cumulative incremental investment shall be considered from the date of acknowledgement of their application under SPECS (as per cabinet approval dated March 28, 2025 (CD-076/2025).

- For target segment (D), the investment made within 5 years from the date of acknowledgement under the scheme, or any criteria stipulated in the letter of approval, shall be considered eligible.

Sales

- For target segments (A), (B) and (C), the net sales shall be Sales, net of credit notes (raised for any purpose), discounts (including but not limited to cash, volume, turnover, target or for any other purpose), any other adjustments/ refunds to customers against sales consideration, applicable taxes, expenses pertaining to advertisement and sales promotion, and brand royalty.
- The applicant shall meet yearly net incremental sales threshold criteria (as per Annexure I) for the target segment manufactured in India to be eligible for incentive under the scheme.
- The date of the invoice for sales of target segment product shall be considered as the date of sales subject to recognising revenue in the book of accounts and dispatch of goods.
- Invoices not recognised as revenue during a claim period can be claimed later when revenue criteria are met.
- Sales returns must be deducted from gross sales in the period they occur.
- In case an applicant is engaged in the trading as well as manufacturing of the target segment, he must maintain separate accounting for trading and manufacturing activity.
- For acquisitions or JVs with brownfield companies, incremental sales will include the base year sales of the acquired entity.

Cumulative Incremental Employment

- Cumulative incremental employment is based on average monthly employment over a 12-month period.
- Average employment = total number of direct/contractual employees over 12 months ÷ 12.
- For turnover-linked incentives, it is the difference between average employment in the claim year and base year.
- The average employment shall be calculated on a financial year basis.
- For CAPEX incentive, the cumulative incremental employment shall be calculated as the difference between the average employment in any 12 consecutive months not later than subsequent 2 financial years from the year of commencement of commercial production and average employment in the trailing 12 months from the month of acknowledgement.
- The average number of employees in the approved Project/ Unit appointed directly or through contractors shall only be considered as per the Employees' Provident Fund Organisation (EPFO) records.
- Essential to maintain proper records of employment including statutory returns like Provident Fund (PF) Returns etc. to be filed

with the Labour Dept. of the respective state.

- Apprentices and casual labour are excluded; only employees in the approved project/unit are considered.
- In case both target segment and non-target segment goods are manufactured in the approved project/ unit, the number of employees related to target segment goods shall only be considered.
- It is essential to maintain consistency of assumptions and estimation in its methodology for segregation of employment related to target segment and non-target segment goods for employees deployed in approved project/unit throughout the scheme tenure.

Related Party Transactions (RPT)

- Applicants must comply with the Companies Act and Income Tax Act rules on related party transactions (RPT) and submit a statutory auditor's certificate online.
- For international RPT, the Form 3CEB filed by the applicant shall be considered as the reference document.
- For domestic RPT, the applicant shall submit a management undertaking stating that arm's length price has been considered for RPT and the mechanism to assess the arm's length price is consistent throughout the scheme tenure and the base year.
- The assessment under the Income Tax Act and other regulatory statutes takes time to complete and invariably happens long time after the claim of the incentive. Therefore, the applicant shall submit an undertaking to PMA/MeitY stating that if any adjustment is made w.r.t related party transaction having an impact on the incentive disbursed, the excess amount disbursed shall be refunded.
- The refund shall be made to MeitY along with interest calculated at 3 years SBI MCLR/base rate per annum or the extant rates prevailing on the date of disbursement, compounded annually, for the period between excess payment and date of refund by the applicant.
- Incentive claims can be filed quarterly, once sales/investment thresholds are met (ending 30th June, 30th Sept, 31st Dec, or 31st March).
- Since the compliances under the IT Act are to be completed in the subsequent Financial Year, 80% of the incentive on the related party sales/ investment on the claims filed before the due date for filing Form 3CEB shall be considered for release. The applicant shall be required to submit an indemnity bond for the same before disbursal of incentives.
- Balance 20% of the incentive shall be released after completion of such compliances and submission of statutory auditor's certificate as per the standard format of the certificate for related party transactions.

Other points

- Application and all the correspondence shall be completely digital through the online portal https://ecms.meity.gov.in

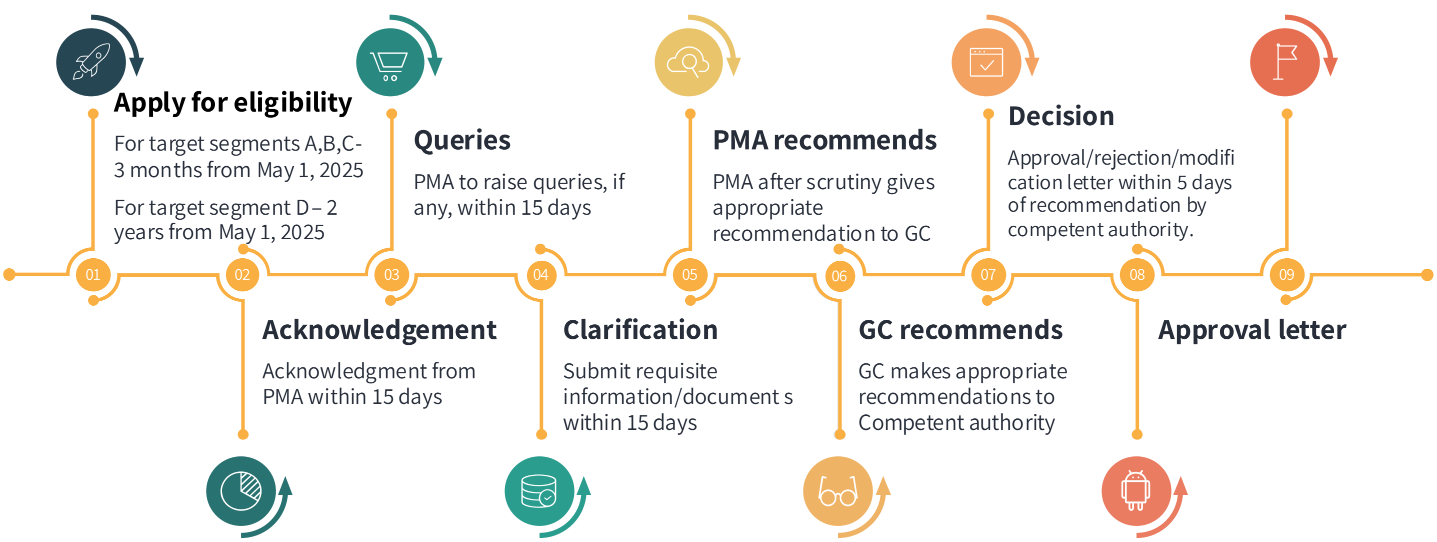
- If an applicant makes sluggish progress in the target segments (A), (B) and (C), i.e. applicant has either made no investment in 1st year of approval or cumulative investment is lower than 50% of the threshold investment of subsequent year(s), the approval of the applicant may be revoked, leading them ineligible for incentive under the scheme in future.

- If an applicant makes sluggish progress in the target segments (D), i.e. the applicant has either made no investment in 1st year of approval or cumulative investment is lower than 50% of the projected investment (as indicated in approval letter) of subsequent year(s), the approval of applicant may be revoked, leading them ineligible for incentive under the scheme in future.

- Approval of the applicant may be revoked for a substantial lack of performance in terms of sales.

- An opportunity may be provided to the applicant to explain the reason(s) for the sluggish progress.

Application process



Annexure I: Target Segments, Incentive Rates & Thresholds Criteria

Sr. No.	Target Segment	Total Investment (Rs Cr)	Year	Turnover Linked Incentive (%)	CAPEX Incentive (%)	Cumulative incremental investment threshold (INR Cr)	Incremental sales threshold (INR Cr)	Cumulative incremental employment threshold (in No.)
(A) Sub-Assemblies								
1	Display Module	250	Y1	4	-	50	200	50
			Y2	4	-	100	400	100
			Y3	3	-	150	600	150
			Y4	2	-	200	800	200
			Y5	2	-	250	1000	250
			Y6	1	-	-	1200	300
2	Camera Module	250	Y1	5	-	50	150	75
			Y2	4	-	100	300	150
			Y3	4	-	150	450	225
			Y4	3	-	200	600	300
			Y5	2	-	250	750	375
			Y6	2	-	-	900	450
(B) Bare Components								
3 & 4	Non-SMD Passive & Electro-mechanical[1]	50	Y1	8	-	10	15	30
			Y2	7	-	20	30	60
			Y3	7	-	30	45	90
			Y4	6	-	40	60	120
			Y5	5	-	50	75	150
			Y6	4	-	-	90	180
5	Multi-layer PCB[2] (less than 7 layers)	50	Y1	6	-	10	15	15
			Y2	6	-	20	30	30
			Y3	5	-	30	45	45
			Y4	5	-	40	60	60
			Y5	4	-	50	75	75
			Y6	4	-	-	90	90
	Multi-layer PCB[3] (more than 7 layers)	50	Y1	10	-	10	15	15
			Y2	8	-	20	30	30
			Y3	7	-	30	45	45
			Y4	6	-	40	60	60
			Y5	5	-	50	75	75
			Y6	5	-	-	90	90

[1] Refer Annexure-II i.e., List of products covered under certain target segments.

[2] An additional incentive of 1% on domestic sourcing/manufacturing of laminate for multi-layer PCB manufacturing. In the case of partial domestic sourcing/manufacturing of laminate, the additional turnover linked incentive shall be given on a pro rata basis

[3] An additional incentive of 1% on domestic sourcing/manufacturing of laminate for multi-layer PCB manufacturing. In the case of partial domestic sourcing/manufacturing of laminate, the additional turnover linked incentive shall be given on a pro rata basis

Sr. No.	Target Segment	Total Investment (Rs Cr)	Year	Turnover Linked Incentive (%)	CAPEX Incentive (%)	Cumulative incremental investment threshold (INR Cr)	Incremental sales threshold (INR Cr)	Cumulative incremental employment threshold (in No.)
6	Li-ion cells For digital applications (except storage and mobility)[4]	500	Y1	6	-	100	200	100
			Y2	6	-	200	400	200
			Y3	5	-	300	600	300
			Y4	5	-	400	800	400
			Y5	4	-	500	1000	500
			Y6	4	-	-	1200	600
7	Enclosures for Mobile, IT Hardware products and related devices	500	Y1	7	-	100	200	120
			Y2	6	-	200	400	240
			Y3	5	-	300	600	360
			Y4	4	-	400	800	480
			Y5	4	-	500	1000	600
			Y6	3	-	-	1200	720
(C) Selected Bare Components								
8	HDI/MSAP/ Flexible PCB	1000	Y1	8	25%	200	200	200
			Y2	7		400	400	400
			Y3	7		600	600	600
			Y4	6		800	800	800
			Y5	5		1000	1000	1000
			Y6	4		-	1200	1200
9	SMD Passive Components	250	Y1	5	25%	50	75	100
			Y2	5		100	150	200
			Y3	4		150	225	300
			Y4	4		200	300	400
			Y5	3		250	375	500
			Y6	3		-	450	600
(D) Supply Chain Ecosystem and Capital Equipment								
10	Supply chain of sub-assemblies (A) & bare components (B) and (C)[5]	10	-	NA	25%	10	Commencement of commercial Production	10[6]

[4] An additional incentive of 2% on domestic sourcing/manufacturing of Cathode Active Material (CAM) for Li-ion cell manufacturing respectively.

[5] Refer Annexure-II i.e., List of products covered under certain target segments.

[6] It is indicative employment per crore of investment, the actual cumulative incremental employment threshold shall be corresponding to the cumulative incremental investment.

Sr. No.	Target Segment	Total Investment (Rs Cr)	Year	Turnover Linked Incentive (%)	CAPEX Incentive (%)	Cumulative incremental investment threshold (INR Cr)	Incremental sales threshold (INR Cr)	Cumulative incremental employment threshold (in No.)
11	Capital goods used in electronics manufacturing including their sub-assemblies and components	10 Crores	-	NA	25%	10	Commencement of commercial Production	20[7]

Annexure- II List of products covered under certain target segments

Sr. No.	Target Segments	Products covered
1.	Non-SMD passive components	Resistors, Capacitors, Ferrites, Specialty Ceramics, Inductors, Coils (including inductive coil), etc. for electronic applications
2.	Electro-mechanicals	Speakers & Microphones for ICT products, Relays, Switches, Connectors, Heat Sinks, Antenna, Vibrator Motors, Oscillators, Filters, Actuators, Crystals, Sensors (non-semiconductor), Transducers, etc. for electronic applications
3.	Supply Chain of sub-assemblies & bare components	Laminate, Pre-Peg, Copper Foil, Separator, Cathode Material, Anode Material, Electrolyte, Polypropylene Film, Spray Wire, Lenses, Protective Film, Glass Cover, Back Light, Contrast Film, Polarizer Film, etc. for electronic applications. (This is an illustrative list and is not an exhaustive list of supply chain.)

[7] It is indicative employment per crore of investment, the actual cumulative incremental employment threshold shall be corresponding to the cumulative incremental investment.

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