

## Electronics Component Manufacturing Scheme, 2025

The Ministry of Electronics and Information Technology (“**MeitY**”), *vide* notification<sup>1</sup> dated April 8, 2025, has introduced the Electronics Component Manufacturing Scheme (“**ECM Scheme**”), to strengthen domestic electronics manufacturing, reduce import dependency, and boost India’s position in global supply chains. The ECM Scheme emerged from the recognition that while India has made significant progress in electronics manufacturing (growing from USD 30 billion (US Dollar thirty billion) in Financial Year (“**FY**”) 2014-15 to USD 115 billion (US Dollars one hundred and fifteen billion) in FY 2023- 24), there remains a significant gap in domestic component manufacturing.

Despite success in reducing finished electronics imports through previous initiatives like the production linked incentives scheme, electronic component imports have continued to increase. The National Institution for Transforming India (NITI) Aayog’s report ‘*Electronics: Powering India’s Participation in Global Value Chain*’ (July 2024) identified key challenges in component manufacturing, including high capital requirements, unfavourable investment-to-turnover ratios, long gestation periods, lack of scale, and difficulty keeping pace with technological advancements.

The ECM Scheme derives its authority from the MeitY’s policy-making powers, which represents an administrative directive that is binding on those who apply for benefits under the ECM Scheme. The implementation will be governed by detailed guidelines to be issued and approved separately by MeitY.

### Overview and applicability of the ECM Scheme

The objective of the ECM Scheme is to develop a robust component manufacturing ecosystem by attracting global and domestic investments, ultimately leading to an increase in domestic value addition and India’s share of exports in global electronic trade. The ECM Scheme offers 3 (three) types of fiscal incentives:

1. **Turnover-linked incentive:** This incentive is given on net incremental sales (over the base year) for certain target goods manufactured in India. To disburse the turnover-linked incentive, the incremental sales and the cumulative incremental investment is a mandatory criterion.
2. **Capex incentive:** This incentive is provided for eligible capital expenditures. For the disbursement of the capex incentive, meeting the investment threshold and the commencement of commercial production is mandatory.
3. **Hybrid incentive:** This incentive is a combination of the turnover-linked incentive and the capex incentive for manufacturing certain target segment goods (mentioned below) as set out in the ECM Scheme.

The 3 (three) incentives mentioned above apply to 4 (four) target segments:

1. **Sub-assemblies:** Display modules and camera modules.

<sup>1</sup> F. No W/49/2024-IPHW

2. **Bare components:** Non-surface mount devices passive components (including but not limited to resistors, capacitors, ferrites, specialty ceramics), electro-mechanicals, multi-layer Printed Circuit Board (“PCB”), Li-ion cells, and enclosures.
3. **Selected bare components:** High-density interconnect/modified semi-additive process/flexible PCB and surface mount devices passive components.
4. **Supply chain ecosystem and capital equipment:** Parts/components used in manufacturing components and capital goods.

Both greenfield and brownfield investments are allowed under the ECM Scheme for the specified target segments. Applicants must submit separate applications for each product within a target segment and cannot apply multiple times for the same product. Eligibility will be based on the applicant's overall global electronics system design and manufacturing revenue, manufacturing capabilities, technological strength, and financial capacity.

## Budget and tenure of the ECM Scheme

The ECM Scheme has a budget outlay of INR 22,919 crores (Indian Rupees twenty-two thousand nine hundred and nineteen crore) and will run for six (6) years, with applications opening May 1, 2025, for the first 3 (three) target segments. For the last target segment, i.e., supply chain ecosystem and capital equipment, the ECM Scheme will be open for applications initially for a period of 2 (two) years from May 1, 2025.

Applicants must meet specific investment, sales, and employment thresholds detailed in Annexure A (III) of the ECM Scheme, which lays down the threshold criteria for target segments. Furthermore, for businesses in the electronics sector, the ECM Scheme presents an opportunity to expand component manufacturing operations with government support. The incentives directly address the high capital requirements and competitive disadvantages that have made component manufacturing challenging in India. By participating, companies can secure substantial financial incentives from the government to strategically position themselves within India's electronics manufacturing ecosystem.

## Conclusion

The ECM Scheme benefits entities with the capability to make substantial investments in advanced component manufacturing (such as high-density interconnect/modified semi-additive process/PCBs or display modules) or those looking to establish supply chain operations with relatively modest investments.

For industry stakeholders, understanding the specific thresholds and incentive structures for their target segments will be crucial for maximising the benefits available under this initiative, designed to strengthen India's electronics manufacturing self-reliance.

It is anticipated that the ECM Scheme will attract an investment of approximately INR 59,350 crore (Indian Rupees fifty-nine thousand three hundred fifty crore), resulting in the production of around INR 4,56,500 crore (Indian Rupees four lakh fifty-six thousand five hundred crore) and generation of additional direct employment for about 91,600 (ninety-one thousand six hundred) people and many indirect jobs as well.

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