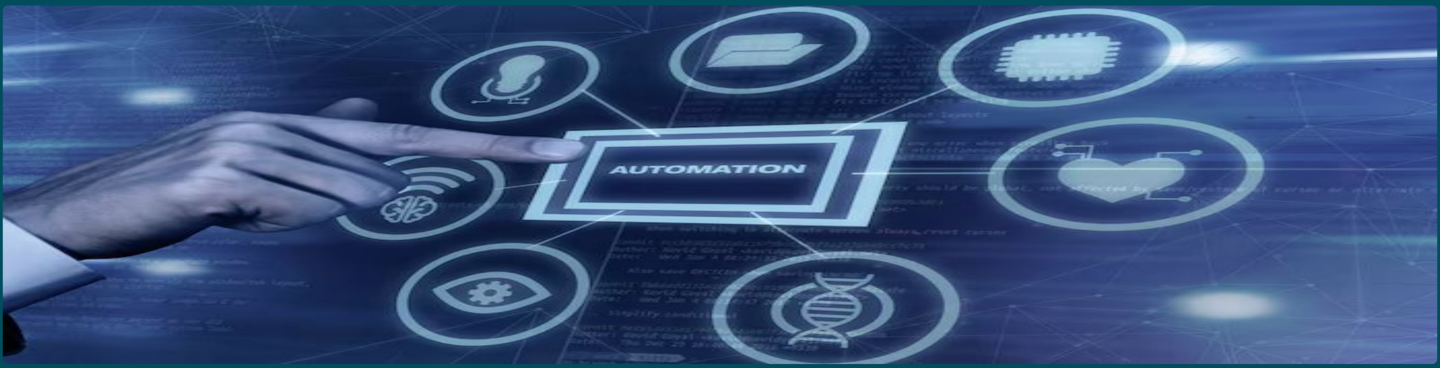

CIVIL

India’s Electronics Component Manufacturing Scheme announced by MeitY: A Step Towards Self-Reliance

AUTHOR Rahul Sundaram
PUBLISHED 11 April 2025

The Indian government has launched the Electronics Component Manufacturing Scheme to boost domestic manufacturing of electronics components and sub-assemblies. This initiative aims to address the challenges faced by component manufacturers and promote self-reliance in the electronics supply chain ecosystem.

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Background

The electronics industry is one of the fastest-growing sectors globally, driven by ongoing digitization. As digitization continues to advance, the electronics industry is expected to play a pivotal role in shaping the global economy and advancing a country's economic and technological development. Since electronics permeates all sectors of the economy, it has cross-cutting economic and strategic importance. In calendar year 2022, global electronics production stood at USD 4.3 trillion, with finished electronics products accounting for approximately USD 2.5 trillion and electronics components contributing around USD 1.8 trillion, according to S&P Global.

Recognizing the importance of this sector, the Ministry of Electronics and Information Technology **(MeitY)** has introduced several initiatives, including the Phased Manufacturing Programme, National Policy on Electronics 2019, and Production Linked Incentives (PLI), to boost electronics manufacturing in the country. These initiatives have shown promising results, with the domestic production of electronic goods increasing five times from ?1.90 lakh crore (USD 30 billion) in FY2014-15 to ?9.52 lakh crore (USD 115 billion) in FY2023-24, at a Compound Annual Growth Rate (CAGR) of more than 17%**.**

Objectives

The primary objective of the Electronics Component Manufacturing Scheme is to develop a robust component manufacturing ecosystem by attracting investments, both global and domestic, across the value chain. This will lead to an increase in Domestic Value Addition (DVA) and enhance India's share in global electronic trade by integrating its domestic electronics industry with Global Value Chains (GVCs). Additionally, the scheme aims to create significant employment opportunities in the manufacturing sector, particularly for the youth.

Target Segments

The scheme focuses on several key segments:

-Sub-assemblies: Including display module sub-assemblies and camera module sub-assemblies.

– Bare Components: Such as non-SMD passive components, electro-mechanicals, multi-layer PCBs, Li-ion Cells for digital applications, and enclosures for mobile and IT hardware products.

– Selected Bare Components: Including high-density interconnect (HDI), modified semi-additive process (MSAP), flexible PCBs, and SMD passive components.

– Supply Chain Ecosystem: Covering parts and components used in the manufacturing of sub-assemblies and bare components, as well as capital goods used in electronics manufacturing.

Incentives

The scheme offers three types of incentives to encourage investment and growth:

– Turnover Linked Incentive: This incentive is based on incremental turnover or sales over a base year. It aims to reward companies for increasing their revenue from the manufacture of target segment products.

– Capex Incentive: This incentive is provided on eligible capital expenditure for the manufacturing of target segment products. It supports companies in making significant investments in their manufacturing capabilities.

– Hybrid Incentive: A combination of turnover linked and capex incentives, this option provides flexibility to companies based on their specific needs and challenges.

Budget

The total budget allocated for the scheme is ?22,919 crore, which includes provisions for administrative expenses. This substantial investment indicates the government’s commitment to fostering growth in the electronics component manufacturing sector.

Implementation

The scheme will be implemented by the Ministry of Electronics and Information Technology through a nodal agency acting as a Project Management Agency (PMA). The PMA will be responsible for receiving applications, scrutinizing them, issuing acknowledgment letters, and submitting appraisal reports for consideration. An inter-ministerial Governing Council (GC), chaired by the Secretary of MeitY and comprising representatives from various departments, will oversee the scheme’s implementation and make recommendations for approval.

Tenure

The scheme has a tenure of six years for the turnover linked incentive, with an optional one-year gestation period. This allows companies sufficient time to establish their operations and begin commercial production.

Eligibility

The scheme is open to both greenfield and brownfield investments, ensuring that new entrants and existing players can benefit from the incentives. Applicants are required to submit separate applications for each target segment product, and multiple applications for the same product will not be eligible.

Scheme Guidelines

Detailed guidelines for the implementation of the scheme will be issued separately by the Ministry of Electronics and Information Technology, with the approval of the Hon’ble Minister of Electronics and Information Technology. These guidelines will provide further clarity on the application process, eligibility criteria, and disbursement of incentives.

Amendments

The scheme and its guidelines may be reviewed and amended periodically to ensure effective implementation. Recommendations from the Governing Council and approval from the Hon’ble Minister of Electronics and Information Technology will guide any necessary changes.

The Electronics Component Manufacturing Scheme represents a significant step towards achieving self-reliance in India’s electronics supply chain. By creating a supportive environment for domestic manufacturing of components and sub-assemblies, the scheme aims to reduce reliance on imports, increase domestic value addition, and position India as a key player in the global electronics industry.

For further detail write to contact@indialaw.in