THE POWER OF BEING UNDERSTOOD

RSM India Newsflash: Union Cabinet Approves Mobile Phone Manufacturing Scheme

Newsflash
Union Cabinet Approves Mobile Phone Manufacturing Scheme

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1.0 Background

India has emerged as the world's second-largest mobile phone manufacturer by volume, with approximately **99.2% of the mobile phones used in India now being manufactured domestically**. Since FY 2014-15, India's electronics manufacturing and exports have increased approximately sevenfold and elevenfold, respectively. Smartphones also emerged as India's largest exported product category in 2025, surpassing traditional export categories such as diesel fuel and cut diamonds.

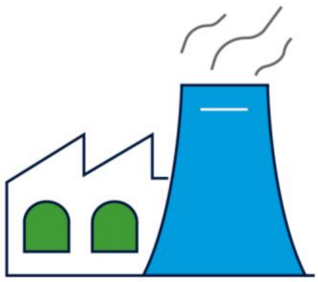
On 15 July 2026, the Union Cabinet, chaired by the Hon'ble Prime Minister, approved the Mobile Phone Manufacturing Scheme (MPMS) with a total budgetary outlay of **Rs. 62,500 Crore** for a period of five years **(FY 2026-27 to FY 2030-31)**. The scheme aims to scale up domestic mobile phone production, domestic sourcing and R&D activities in the segment through incentive support.

This Newsflash provides a brief overview of the salient features of the Mobile Phone Manufacturing Scheme.

2.0 Key Highlights of the Scheme

2.1 Scale up Mobile Phone Production in India

The primary objective of the MPMS is to significantly increase India's mobile phone manufacturing capacity and establish the country as one of the world's leading production hubs. The scheme seeks to encourage both global and domestic manufacturers to expand their manufacturing operations in India.



The scheme provides incentive support at differentiated rates ranging from **2.25% to 5% of eligible sales** from mobile phones manufactured in India. The scheme is projected to generate cumulative mobile phone production worth approximately **Rs. 39 lakh crore** over its implementation period.

2.2 Increasing Domestic Sourcing of Components

The scheme may reduce dependence on imported components by promoting local manufacturing of key mobile phone parts and mechanical components. While MPMS primarily provides incentives to mobile phone manufacturers, the scheme specifically rewards domestic sourcing of key components and sub-assemblies with an **additional incentive of up to 1.5%.**

2.3 Promote Design, Innovation and Research & Development (R&D)

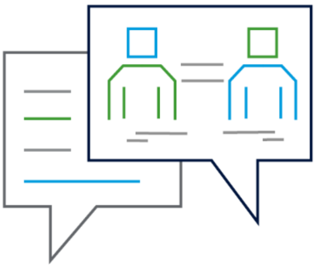
To support the development of Indian brands, the MPMS provides an additional incentive of **3% of eligible sales** for product design and R&D. The measure is intended to promote technological sovereignty, facilitate greater capture of economic value, and encourage the creation of Indian patents in design and R&D.

2.4 Employment Generation

The scheme is expected to create approximately **60,000 direct employment opportunities** across the mobile phone manufacturing ecosystem. Beyond direct employment, the scheme is also expected to generate a substantial number of indirect jobs in supporting sectors such as component manufacturing, transportation, packaging, equipment maintenance, and other ancillary industries.

3.0 Our Comments

The MPMS follows the conclusion of the Production Linked Incentive Scheme for Large Scale Electronics Manufacturing (PLI-LSEM), which ended on 31st March 2026 and appears to represent the next phase of the Government's policy support for India's mobile phone manufacturing ecosystem.



Unlike earlier schemes that primarily focused on manufacturing output, MPMS places significant emphasis on domestic component sourcing and indigenous R&D, thereby fostering higher value addition and strengthening the local supply chain. The MPMS is likely to attract substantial domestic and foreign investments into India's electronics manufacturing sector. Further, expansion of manufacturing facilities, component production, logistics, and R&D activities may also create significant direct and indirect employment opportunities across the value chain.

The global geopolitical developments highlighted the risks associated with excessive dependence on a limited number of countries for electronic components. MPMS aims to develop a diversified and resilient domestic supply chain that can withstand global disruptions.

While the MPMS has received Cabinet approval, its practical impact will depend on the detailed operational guidelines, including eligibility conditions, applicable incentive rates, domestic-sourcing requirements, claim-verification mechanisms and implementation timelines.

Businesses operating in the mobile phone and electronic-components ecosystem need to evaluate the detailed guidelines once notified to assess the potential applicability and benefits of the scheme.

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