PLI 2.0: MPMS incentive structure focuses on scale

MeiTy has come out with details of Mobile phone manufacturing scheme and the incentive structure. The incentive outlay of INR625b has a tenure of five years from FY26-31 and incentives ranging from 2.25-5.0% based on certain threshold sales. This focuses on enhancing scale for brands both domestically and in exports, along with higher value addition. The requirements of a minimum scale (INR100b in FY26 per brand), a threshold of INR50b in incremental sales year over year, domestic sourcing for a minimum of 25% of mobile phones, and a focus on exports will limit the competition to players with sufficient scale and backward integration, and we believe Dixon fits these scale requirements.

Details of MPMS scheme

MeiTy has come out with details of Mobile phone manufacturing scheme and the incentive structure. The incentive outlay of INR625b is fungible across 1) Incentivizing mobile phone manufacturing, and 2) supporting Indian mobile phone brands. The scheme has a tenure of five years (from FY26 to FY31) and focuses on enhancing the scale both domestically and in exports, along with higher value addition. The incentive structure focuses on brand-wise incremental sales with year-wise threshold targets. This would also imply higher exports in order to achieve those targets. Scheme eligibility and PLI incentives are given to brands or EMS players which have sales of at least INR100b in FY26 which rules out smaller players. Moreover, an additional incentive of 1.5% is also given for those having local value addition. The government also intends to establish Indian brands in mobile phone manufacturing by giving incentives of 5% during the said period.

Incentives for mobile phone manufacturing

The mobile phone manufacturers, including EMS, players having a minimum turnover of INR100b in FY25-26 shall be eligible under the scheme and for claiming the incentive, a brand shall meet the minimum threshold sales of INR50b each year, with FY26 as the base year (refer to Exhibit 1). The quantum of incentives will have a two tier structure with 1) incentives of 2.75-2.25% on the difference between baseline domestic sales (assumed to grow at 15%) and average sales for FY24/FY25/FY26, and 2) incentives of 5-4% on sales over and above the baseline sales. Additional incentives of up to 1.5% shall also be provided on Eligible Sales for domestic sourcing of key components/sub-assemblies such as display module, camera module, enclosure, batteries (including cells), and USB cables (including connectors). This incentive is applicable if such components are localized for a minimum of 25% of the total mobile phone units sold in a financial year. This implies that brands have to increase production quickly, not only through domestic sales but also through a sharp increase in exports. Within the requirements of a minimum scale (INR100b in FY26 per brand), domestic sourcing of a minimum of 25% of mobile phones, and a focus on exports, the scheme will be limited to players which have brandwise scale, and we believe Dixon fits into these scale requirements.

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Support for Indian mobile brands

Mobile phone manufacturers, including EMS, registered in India, having a minimum turnover of INR10b in FY26 shall be eligible under the scheme. There is no minimum threshold sales requirement for Indian brands, and selection of the Indian brands for eligibility under the scheme shall be done by the Empowered Committee (EC). Incentives shall be provided at 5% on the incremental sales over the base year. An additional incentive of 3% shall also be given on eligible sales for Indian design and R&D involved in production. Other incentives on domestic sourcing remain the same as in the mobile phone production scheme.

Sector view

With this scheme, we expect mobile brands and EMS players to benefit from higher volumes particularly on exports. We also expect the benefit to accrue to players who have taken initiatives on backward integration as an additional incentive is also being allocated for domestic sourcing.

Key Exhibits

Exhibit 1: Minimum threshold sales of INR50b every year over and above the total sales of FY26.

FY	Threshold sales over & above the total sales in FY26 (INR b)
FY27	50
FY28	100
FY29	150
FY30	200
FY31	250

Source: Company, MOFSL

Exhibit 2: The part of Eligible sales (upto the difference between the average sales of FY26, FY25 and FY24) and the Baseline sales for an FY, shall be incentivized in a tapered manner

FY	Incentive rate (%)
FY27	2.75
FY28	2.75
FY29	2.50
FY30	2.50
FY31	2.25

Source: Company, MOFSL

Note: Baseline Sales for a financial year shall be the total domestic sales of target segment product for the brand in preceding financial year plus an increment of 15%.

Exhibit 3: The remaining Eligible sales, over and above the Baseline sales, shall be incentivized in a tapered manner

FY	Incentive rate (%)
FY27	5.0
FY28	5.0
FY29	4.5
FY30	4.5
FY31	4.0

Source: Company, MOFSL

Exhibit 4: Additional incentives on domestic sourcing

Sub-Assemblies / Components	Additional Incentive Rate for domestic sourcing (%)
Display Module	0.3
Camera Module	0.3
Enclosure	0.5
Batteries (including cells)	0.2
USB cables (including connectors)	0.2
Total	**1.5**

Source: Company, MOFSL

Exhibit 5: Relative valuation of EMS companies within our coverage universe

Companies	CMP	EPS (INR)			P/E (x)			RoE (%)			FY26-28 CAGR		
	(INR)	FY26	FY27E	FY28E	FY26	FY27E	FY28E	FY26	FY27E	FY28E	Rev	EBITDA	PAT
Amber Enterprises	7,350	61.7	106.7	182.0	119.1	68.9	40.4	6.5	8.2	12.6	46.2	32.5	71.7
Dixon Technologies	14,766	139.7	156.5	259.5	105.7	94.4	56.9	22.1	17.7	23.1	32.7	36.8	36.3
Avalon	2,183	17.1	29.3	42.6	127.6	74.5	51.2	17.0	23.7	26.7	37.5	47.7	57.9
Cyient DLM	721	7.2	13.5	20.1	100.2	53.5	35.9	5.8	10.0	13.3	27.5	40.3	66.9
Data Pattern	4,826	47.9	62.9	80.8	100.7	76.8	59.7	16.5	18.4	19.6	25.3	23.2	29.8
Kaynes Tech	3,890	54.6	75.5	125.5	71.2	51.6	31.0	9.6	10.1	14.8	40.8	43.9	51.5
Syrma SGS Tech.	1,440	16.7	24.9	35.4	86.3	57.7	40.7	13.9	15.6	18.7	38.0	40.8	45.6

Source: Company, MOFSL

NOTES

Explanation of Investment Rating	
Investment Rating	**Expected return (over 12-month)**
BUY	>=15%
SELL	< - 10%
NEUTRAL	< - 10 % to 15%
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