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Cabinet Approves Semicon 2.0, Mobile Manufacturing Scheme and Urea Policy to Strengthen India's Strategic Manufacturing Ecosystem

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Recent Developments:

- The Cabinet Committee on Economic Affairs (CCEA), chaired by the Prime Minister, approved **Semicon 2.0** with an outlay of ₹1.275 lakh crore, the **Mobile Phone Manufacturing Scheme (MPMS)** with ₹62,500 crore, and the **National Investment Policy for Urea (NIPU) 2026**.
- The approvals are intended to strengthen **domestic manufacturing, technology sovereignty, fertiliser security, supply chain resilience, and import substitution**, while supporting the objectives of **Atmanirbhar Bharat, Make in India, and PM Gati Shakti**.

Background:

Need for the Cabinet Approvals:

- **India** has been pursuing a long-term strategy to reduce dependence on imports in **critical and strategic sectors**.
- **Global semiconductor shortages, geopolitical conflicts, and supply chain disruptions** have exposed vulnerabilities in excessive reliance on external manufacturing.
- **Rapid expansion of Artificial Intelligence (AI), consumer electronics, electric vehicles, telecommunications, and defence technologies** has substantially increased global demand for semiconductors.
- The approved initiatives collectively aim to strengthen **manufacturing competitiveness, strategic autonomy, and economic resilience**.

India Semiconductor Mission (Semicon 2.0):

About the Programme:

- **Semicon 2.0** has been approved with a total outlay of ₹1.275 lakh crore for developing a comprehensive **semiconductor design, manufacturing, packaging, research, and supply-chain ecosystem**.
- The programme builds upon the achievements of **India Semiconductor Mission (ISM) 1.0** and provides sustained policy support for the next phase of semiconductor development.

Major Objectives:

- **Develop indigenous semiconductor design capabilities.**
- **Expand domestic chip manufacturing capacity.**
- **Strengthen semiconductor raw material and equipment ecosystems.**
- **Reduce dependence on imported semiconductor components.**

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- Support India's growing demand for AI, electronics, telecommunications, automotive and defence chips.
- Establish a complete end-to-end semiconductor value chain.

Six Pillars of Semicon 2.0:

- **Chip Design**, strengthening intellectual property creation and innovation.
- **Chip Development**, expanding indigenous semiconductor technologies.
- **Domestic Chip Manufacturing**, increasing fabrication capabilities.
- **Semiconductor Supply Chain**, supporting equipment, specialty chemicals, minerals and industrial gases.
- **AI-oriented Semiconductor Ecosystem**, meeting future demand for advanced AI processors.
- **Integrated Semiconductor Value Chain**, connecting design, fabrication, packaging, testing and manufacturing.

Expected Outcomes:

- **Investments** of nearly **₹4 lakh crore** are expected.
- **Semiconductor production** worth approximately **₹2 lakh crore** is expected during the scheme period.
- **India** aims to achieve substantial self-reliance in semiconductor manufacturing by the end of the programme.
- The programme is expected to strengthen India's position in the **global semiconductor value chain**.

Progress under ISM 1.0:

- **ISM 1.0** had an allocation of **₹76,000 crore**.
- **Twelve semiconductor projects** with cumulative investments of approximately **₹1.64 lakh crore** were approved.
- Significant investments were led by **Tata Electronics** and other semiconductor manufacturers.
- Commercial production has already commenced in some approved facilities, providing an initial manufacturing base for the country.

Mobile Phone Manufacturing Scheme (MPMS):

About the Scheme:

- The Government approved the **Mobile Phone Manufacturing Scheme** with a financial outlay of **₹62,500 crore**.
- The scheme seeks to develop **globally competitive Indian mobile brands**, strengthen domestic manufacturing, and promote technological sovereignty.

Major Incentives:

- **Production-linked incentives** ranging between **2.25% and 5%** on eligible sales.
- Additional incentive of **up to 1.5%** for higher domestic sourcing of components and sub-assemblies.
- Additional incentive of **3%** for product **design and research & development**.

Expected Outcomes:

- Mobile phone production worth nearly **₹39 lakh crore** during the scheme period.
- Significant growth in **mobile phone exports**.
- Creation of nearly **60,000 direct employment opportunities**.
- Expansion of **domestic intellectual property**, patents and innovation.

National Investment Policy for Urea (NIPU) 2026:

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About the Policy:

- **NIPU 2026** has been approved to establish **nine new gas-based urea plants** with a combined production capacity of approximately **10 million tonnes**.
- The policy seeks to make **India self-reliant in urea production**, thereby reducing import dependence.

Present Status of India's Urea Sector:

- Annual urea demand is increasing by nearly **5%**.
- Domestic production is approximately **30 million tonnes**.
- Total national requirement is nearly **40 million tonnes**.
- Around **10 million tonnes** are currently imported annually.

Major Reforms Compared with NIP 2012:

- **Fixed and variable costs** have been separated to improve transparency.
- **Return on Equity (RoE)** has been rationalised with a minimum of **12%** and a maximum of **16%**.
- **Foreign exchange risks** have been moderated through conversion of fixed costs into Indian Rupees after four years.
- Equal incentives have been provided to **government, private, and cooperative sector** projects.

Expected Benefits:

- Estimated savings exceeding **₹250 crore per plant** compared with the earlier policy.
- Improved investment certainty.
- Enhanced domestic fertiliser security.
- Reduced subsidy burden arising from imports.

Significance for India:

Manufacturing and Industrial Growth:

- Expands domestic manufacturing across strategic sectors.
- Encourages technology-intensive industries.
- Promotes employment generation and skill development.
- Supports the growth of ancillary manufacturing industries.

Economic Significance:

- Attracts substantial domestic and foreign investment.
- Expands exports of electronics and mobile phones.
- Improves India's manufacturing share in **Global Value Chains (GVCs)**.
- Reduces foreign exchange outflow through import substitution.

Strategic Significance:

- Strengthens technological sovereignty in semiconductors.
- Reduces vulnerability to geopolitical supply disruptions.
- Improves defence manufacturing capability.
- Enhances resilience of critical industrial supply chains.

Agricultural Significance:

- Improves long-term fertiliser availability.

- Reduces dependence on imported urea.
- Supports national food security through reliable fertiliser supply.

Challenges:

Semiconductor Sector:

- Semiconductor fabrication requires **very high capital investment** and **advanced manufacturing technology**.
- India continues to depend heavily on imported semiconductor equipment and specialised materials.
- Availability of highly skilled semiconductor professionals remains limited.
- Semiconductor manufacturing requires uninterrupted electricity and ultra-pure water infrastructure.

Mobile Manufacturing:

- Domestic value addition remains relatively low because several critical components continue to be imported.
- Indian mobile brands face intense global competition.

Urea Sector:

- Long-term availability of affordable natural gas remains essential.
- Timely commissioning of new plants will determine the success of the policy.

Way Forward:

Semiconductor Ecosystem:

- Encourage global technology partnerships.
- Strengthen semiconductor research, innovation and intellectual property creation.
- Develop indigenous manufacturing of semiconductor materials and equipment.
- Expand semiconductor education and specialised workforce development.

Mobile Manufacturing:

- Increase domestic production of electronic components.
- Promote indigenous design capabilities.
- Expand export competitiveness through quality and innovation.

Urea Production:

- Ensure timely implementation of new projects.
- Improve operational efficiency of existing plants.
- Promote balanced and efficient fertiliser use.

Value Addition for UPSC:

Important Schemes and Initiatives:

- **India Semiconductor Mission (ISM)** was launched in **2021** with the objective of developing a complete semiconductor ecosystem.
- **Semiconductors** are indispensable for **Artificial Intelligence, 5G, Internet of Things (IoT), Electric Vehicles (EVs), consumer electronics, space technology, and defence systems.**
- **ATMP (Assembly, Testing, Marking and Packaging)** and **OSAT (Outsourced Semiconductor Assembly and Test)** represent critical downstream stages in semiconductor manufacturing.

- **Global Value Chains (GVCs)** involve the production of goods through internationally distributed stages of manufacturing and value addition.
- The initiatives complement **Atmanirbhar Bharat, Make in India, Digital India, National Policy on Electronics, Production Linked Incentive (PLI) Scheme**, and **PM Gati Shakti** by strengthening India's manufacturing ecosystem and strategic technological capabilities.