Sector Update | 15 July 2026

EMS

Manufacturing push: Scale coupled with backward integration

EMS coverage recommendations

Company	Reco	TP (INR)
Large-size companies		
Dixon Tech.	Buy	16,100
Amber Enterp	Buy	8,450
Mid-size companies		
Avalon Tech	Buy	2,060
Cyient DLM	Buy	560
Data Pattern	Neutral	4,040
Kaynes Tech	Buy	4,000
Syrma SGS Tech.	Buy	1,630

In a big manufacturing push, the Cabinet approved an outlay of INR1.27t for Semicon 2.0 and INR625b for the mobile phone manufacturing scheme (MPMS). Both these outlays for incentives will result in significant capex too across semiconductor and mobile manufacturing at required asset turnover ratios. Semicon 2.0 focuses on deepening the domestic value chain and incentivizing local manufacturing, while MPMS offers higher incentives for domestic sourcing or backward integration along with threshold targets for sales and investment. We believe that both these initiatives enhance supply chain resilience, boost technological innovation, and position India as a global hub for electronics manufacturing. Mobile phone scheme incentives will particularly enhance customer stickiness and will improve margins too, going forward particularly for players like Dixon. Among the listed space, we expect Dixon and Amber to participate in MPMS. Our top picks in the space are Dixon Technologies, Cyient DLM, and Syrma SGS..

Cabinet approval for MPMS with a budgetary outlay of INR625b…

The Union Cabinet, chaired by the Prime Minister Shri Narendra Modi, has approved the MPMS with a budgetary outlay of INR625b. This scheme is an extension to the Production Linked Incentive Scheme for Large Scale Electronics Manufacturing (PLI-LSEM), which had played a key role in boosting mobile manufacturing and exports. The tenure of the earlier PLI-LSEM ended on 31st Mar'26, and the tenure of this scheme will be from FY27 to FY31. This scheme provides 1) incentive support on eligible sales for the manufacturing of mobile phones in India at differentiated rates ranging from 2.25% to 5.0%, 2) an additional incentive of up to 1.5% linked to domestic sourcing of key components/ sub-assemblies and for building Indian brands, an additional incentive of 3% on eligible sales for design and R&D of the product. We expect mobile-focused players to submit applications for the same. We do believe that the positioning of Dixon is stronger than that of other players, as it benefits from domestic sourcing or backward integration, which other mobile assemblers do not have.

…and Semiconductor 2.0 with an outlay of INR1.27t

The Union Cabinet also approved Semicon 2.0 with an INR1.27t (USD15b) outlay. Semicon 2.0 also focuses on deepening the domestic value chain, incentivizing local manufacturing of equipment, raw materials, and advanced chip design. This program will focus on

- **Design:** Deepening indigenous chip design and IP capabilities.
- **Machines and Materials:** Incentivizing suppliers of raw materials, gases, and minerals.
- **Additional Fabs:** Attracting investments for silicon and compound semiconductor fabs.
- **Advanced Packaging:** Expanding ATMP and OSAT infrastructure.
- **R&D:** Focusing on developing advanced technology nodes.
- **Talent Development:** Expanding specialized clean room and engineering training across universities.

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Both schemes focus on deepening the domestic value chain

Both the schemes currently focus upon the deepening of the entire value chain and incentivizing companies investing in local sourcing or manufacturing of components, and advanced chip designing as well as investments in R&D. Apart from main streamline companies like Dixon and Amber to benefit if their applications get approved, these schemes will also focus on players focused on 1) chip designing such as L&T, Tata Elxsi, MosChip Technologies, SPEL Semiconductor, Kaynes Technology, Syrma SGS, Cyient DLM, etc., 2) machines and materials such as ASML, Applied Materials India, ASM Technologies, Tata Chemicals, Ellenbarrie, Inox India, Air water, Linde, etc., 3) additional fabs like Tata Electronics, Kaynes Technology, CG Power, etc., and 4) advanced packaging such as Micron Technology, Kaynes, SPEL, HCL, Tata Electronics, CG Power, etc. We believe that these companies may benefit if they apply for Semicon 2.0. We also expect the positive impact of this scheme to spill over to other industrial companies too catering to different legs of capex in the value chain.

Maintaining our positive bias for the sector

We believe that both these initiatives enhance supply chain resilience, boost technological innovation, and position India as a global hub for electronics manufacturing. The mobile phone scheme incentives will particularly enhance customer stickiness and will improve margins too, going forward particularly for players like Dixon. Among the listed space, we expect Dixon and Amber to participate in MPMS. Our top picks in the space are Dixon Technologies,Cyient DLM, and Syrma SGS.

Exhibit 1: Relative valuation of EMS companies in 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	7,864	61.7	124.2	187.1	127.4	63.3	42.0	6.5	9.5	12.8	23.5	30.1	74.1
Dixon Technologies	13,667	139.7	163.5	256.6	97.9	83.6	53.3	22.1	19.3	24.5	32.6	36.6	35.5
Avalon	1,679	17.1	27.1	41.1	98.1	62.0	40.9	17.0	22.1	26.2	35.0	45.0	54.9
Cyient DLM	538	7.2	12.8	18.8	74.7	42.1	28.7	5.8	9.5	12.5	24.0	36.4	61.4
Data Pattern	4,190	47.9	62.9	80.8	87.4	66.7	51.9	16.5	18.4	19.6	25.3	23.2	29.8
Kaynes Tech	3,338	54.6	84.9	131.9	61.1	39.3	25.3	9.6	11.3	15.3	41.6	43.5	55.4
Syrma SGS Tech.	1,404	16.7	23.5	32.6	84.1	59.8	43.1	13.9	14.7	17.5	32.8	35.4	39.8

Source: Company, MOFSL

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