

INDIA SEMICONDUCTOR MISSION 2.0

CABINET APPROVAL UPDATE | DETAILED SCHEME GUIDE

BDO India
2026

On 15 July 2026, the Union Cabinet, chaired by the Prime Minister, approved 'Semicon 2.0' – the second phase of the India Semiconductor Mission (ISM 2.0) – with a fiscal outlay of INR 1,27,500 crore (~USD 13.28bn). Subsequently, the Ministry of Electronics and Information Technology notified the detailed scheme on 31 August 2026. The programme is designed around 6 strategic pillars and 10 categories covering the complete value chain of the semiconductor industry, ranging from design, fabrication, manufacturing, packaging, assembly, R&D, and talent development.



INR 1.27 L Cr
OUTLAY (ISM 2.0)



Up to 6 Years
PROJECT DURATION



INR 4 L Cr*
PROJECTED INVESTMENT



6 Pillars
10 CATEGORIES

THE SIX STRATEGIC PILLARS OF SEMICON 2.0

ISM 2.0 moves beyond capacity-building (the focus of ISM 1.0) towards vertical integration across the entire semiconductor value chain, structured around six pillars and ten notified categories:

CHIP DESIGN

Deepens India's IP and chip/ system design ecosystem — Categories 1-3 (strategic, commercial & deployment-linked)

ATMP / OSAT

Positions India as a global hub for Assembly, Testing, Marking & Packaging and Outsourced Semiconductor Assembly and Test — Category 8

MACHINES & MATERIALS

Incentivises domestic manufacturing of semiconductor equipment, specialty chemicals, gases and high-purity materials — Category 4

RESEARCH & DEVELOPMENT

Supports progression beyond current process nodes via domestic/ global R&D collaboration — Category 9

FABS

Attracts silicon, compound semiconductor, discrete component and display fabs — Categories 5, 6 & 7

TALENT DEVELOPMENT

Builds a sustained semiconductor talent pipeline across design and manufacturing — Category 10

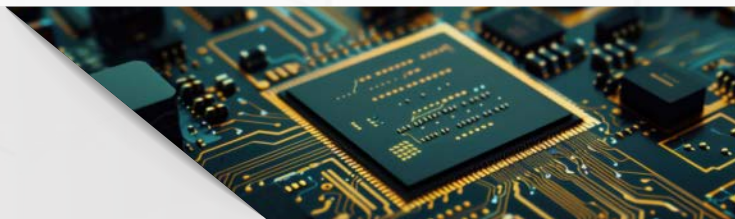
SCHEME OVERVIEW — 6 PILLARS, 10 CATEGORIES

PILLAR	CATEGORY	FOCUS AREA	KEY FISCAL SUPPORT
1. Design	1	IPs/Chips/SoCs — national & strategic priorities	RFP-based support via C-DAC; co-owned IP
	2	IPs/Chips/SoCs — commercial sector (fabless)	EDA/MPW access; Seed funding up to 50% (cap INR 15 Crore); equity co-investment; royalty financing
	3	Deployment-Linked Incentive (DLI) for new IPs/Chips/SoCs	9% reimbursement on net sales for 5 years, maximum of INR 30 Cr per application/INR 120 Cr per Company/ Group
2. Machines & Materials	4	Semiconductor manufacturing ecosystem	30% of Capex (pari-passu) + PLI 2–10% of BoM for 5 yrs, cap of 50% of eligible Capex
3. Fabs	5	Silicon Semiconductor Wafer Fabs	40% of eligible Capex (pari-passu)
	6	Compound/Photonics/Sensor/Discrete Fabs	35% of eligible Capex (pari-passu)
	7	Display Fabs (OLED/Micro LED/LCD)	35% of eligible Capex (pari-passu)
4. ATMP/ OSAT	8	Assembly, Testing, Marking & Packaging	35% (Advanced) / 25% (Legacy) of Capex
5. R&D	9	R&D for advanced semiconductor technologies	Up to 75% of Project Cost (Capex + Opex), including State incentives, RDI, if any
6. Talent	10	Talent development — design, fab & packaging	Up to 75% of Project Cost (Capex + Opex), including State incentives, if any



DETAILED CATEGORY-WISE PROVISIONS

PILLAR 1 | DESIGN



Category 1: IPs/Chips/SoCs for National Importance & Strategic Priorities

- Eligibility: Indian-incorporated, Indian-owned and controlled companies with significant operational presence in India; consortium mode permitted with global companies/R&D bodies/academia
- Mechanism: C-DAC issues a Request for Proposal (RfP); selection via competitive bidding; support disbursed per approved RfP terms
- IP ownership: Co-owned by the applicant company and C-DAC; C-DAC will not commercially use the IP unless the applicant defaults on contractual obligations

Category 2: IPs/Chips/SoCs for the Commercial Sector (Fabless Design)

- Eligibility: Indian-incorporated companies owned/controlled by Indian citizens or OCIs; consortium mode permitted
- Design Infrastructure Support (DIS): Centralised access to the national EDA tools grid, MPW fabrication services, IP cores, Compute Sub-Systems, and post-silicon validation services
- Product Design Linked Incentive (P-DLI) — startups/MSMEs: Milestone-linked seed funding up to 50% of project cost (capped per application), plus equity co-investment on terms matching VC/PE investors
- P-DLI — other eligible companies: Royalty financing (5% of net revenue until 1.5x recovery) plus equity co-investment
- Exit options: Seed/equity route — repay funding plus market value of equity, or 1.5x total support, whichever is higher. Royalty route — 1.5x support if exiting within 4 years, or 2x if after 4 years
- IP and design files must remain within India; eligible applicants may also access the RDI Scheme

Category 3: Deployment-Linked Incentive (DLI)

- For newly launched IPs/Chips/SoCs with no prior sales before the scheme announcement
- Fiscal support: 9% reimbursement on net sales of target segments for 5 years, per company (including group companies) across multiple products
- Subject to a ceiling of INR 30 Cr per application and an aggregate ceiling of INR 120 Cr per Company/Group



PILLAR 2 | MACHINES & MATERIALS



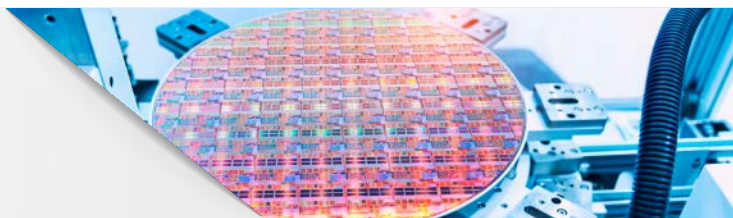
Category 4: Semiconductor Manufacturing Ecosystem

Covers R&D facilities for semiconductor equipment, manufacturing of semiconductor-grade raw materials, equipment/component manufacturing & assembly, and test & characterisation facilities.

Sub-Vertical	Min. Capex	Min. Revenue*	Fiscal Support
R&D facilities for semiconductor equipment	INR 300 crore	INR 120 crore	30% of Capex
Manufacturing of semiconductor-grade raw materials	INR 50 crore	INR 20 crore	30% of Capex
Semiconductor Test & Characterisation facilities	INR 100 crore	INR 40 crore	30% of Capex
Manufacturing/ Assembly of Equipment & Components	INR 300 crore	INR 120 crore	30% of Capex + PLI (10/8/6/4/2% of BoM, 5 yrs from FY 2028-29, capped at 50% of eligible Capex)

*Revenue threshold applies to any of the three financial years preceding the application year (including group companies).

PILLAR 3 | SETTING UP MORE FABs



Covers Silicon Wafer Fabs (Category 5), Compound Semiconductor/Photonics/Sensor/Discrete Fabs (Category 6), and Display Fabs (Category 7).

All applicants must own or possess production-grade licensed technology for the proposed process

Category	Key Technical Threshold	Min. Revenue*	Fiscal Support
Cat 5: Silicon Wafer Fabs	300mm wafer; 40,000 WSPM+	INR 7,500 crore	40% of Capex; Min. Capex INR 20,000 crore
Cat 6: Compound/ Photonics/ Sensor Fabs	200mm+ (sensor) / 150mm+ (compound) / 100mm+ (photonics); 500 WSPM+	INR 200 crore	35% of Capex
Cat 7: Display Fabs (OLED)	Gen 6+; 30,000 panels/month+	INR 5,000 crore	35% of Capex; Min Capex of INR 10,000 Crore
Cat 7: Display Fabs (Micro LED)	Panel area of 5000 sq. metres per month	INR 600 crore	35% of Capex; Min Capex of INR 1500 Crore
Cat 7: Display Fabs (LCD)	Gen 8+; 60,000 panels/month+	INR 5,000 crore	35% of Capex, Min Capex of INR 10,000 Crore

*Revenue threshold applies to any of the three financial years preceding the application year (including group/JV companies).

PILLAR 4 | STRENGTHENING ATMP/OSAT



Category 8: Assembly, Testing, Marking & Packaging/ OSAT

Covers Advanced Packaging and Legacy Packaging

Category	Key Technical Threshold	Min. Revenue*	Fiscal Support
Cat 8: ATMP/OSAT — Advanced Packaging	2.5D/3D, WLCSP, heterogeneous integration	INR 200 crore	35% of Capex; Min Capex of INR 1,000 Cr
Cat 8: ATMP/OSAT — Legacy Packaging	Standard packaging technology	INR 200 crore	25% of Capex; Min Capex of INR 1,000 Cr

PILLAR 5 | RESEARCH & DEVELOPMENT



Category 9: R&D for Advanced Semiconductor Technologies

- Covers advanced CMOS process technologies, silicon photonics, display fabrication, and chiplet-based advanced packaging technologies
- Eligibility: Semiconductor companies independently or in consortium with academic/R&D institutions
- Fiscal support: Up to 75% of Project Cost (Capex + Opex), including state incentives; may combine with RDI Scheme funding. Detailed guidelines to follow separately

PILLAR 6 | TALENT DEVELOPMENT



Category 10: Talent Development

- Design track: Access to chip design tools, MPW fabrication services, post-silicon validation tools, and capacity-building projects
- Manufacturing track: Training infrastructure for shop-floor manpower; strengthening national nanofabrication and process labs
- Eligibility: Indian academic institutions, R&D organisations/laboratories, scientific societies, and domestic training institutions
- Fiscal support: Up to 75% of Project Cost (Capex + Opex), including state incentives

IMPLEMENTATION FRAMEWORK

Nodal Agency

- India Semiconductor Mission (ISM) is the Nodal Agency, with C-DAC supporting the three Design/ Deployment categories
- ISM invites applications, conducts technical and financial appraisal, and recommends selection; may announce Semiconductor Deep Tech Awards from 2026

Approval Process

- Design & Talent Development categories: Recommended by ISM approved by MeitY
- All other categories: Recommended by ISM Union Cabinet approval via MeitY communicated to applicants through ISM

Key Timelines

- Application window: Open for 3 years from scheme notification, via the Nodal Agency portal
- Project duration: Determined project-to-project, preferably up to 6 years
- Mid-term impact assessment: After 3 years of implementation (or as required)
- Disbursement: MeitY provides budgetary allocation; ISM disburses based on approval conditions



NATURE OF ENTITIES / SECTORS THAT MAY BENEFIT

- Semiconductor fabs and compound semiconductor/ display fab promoters (Indian and global majors)
- ATMP and OSAT (packaging and testing) operators and new entrants evaluating India as a base
- Chip design startups, fabless companies and MSMEs working on AI, IoT, telecom, defence, automotive and satellite-communication chips
- Manufacturers of semiconductor capital equipment, specialty chemicals, photoresists, CMP slurries and industrial/process gases
- Mineral and raw-material suppliers feeding the semiconductor value chain
- Electronics and mobile-phone manufacturers and their component/ sub-assembly suppliers under the allied Mobile Phone Manufacturing Scheme
- Academic and R&D institutions partnering on advanced-node research and talent development
- Private equity, strategic and institutional investors evaluating long-horizon semiconductor CAPEX



HOW BDO INDIA CAN SUPPORT YOUR CLAIM JOURNEY

Drawing on experience gained through ISM 1.0 incentive claims, BDO India can support eligible entities across the full lifecycle of scheme participation:

- 01 Eligibility assessment & scheme mapping – evaluating fit against ISM 2.0 pillars, MPMS and related state incentive policies
- 02 Application & Detailed Project Report (DPR) preparation, including financial modelling and CAPEX/OPEX projections
- 03 Government liaison and single-window clearance facilitation with MeitY, ISM and state nodal agencies
- 04 Structuring and advisory on joint ventures, technology partnerships and cross-border investment into fab/ATMP projects
- 05 Design of internal controls, MIS and documentation frameworks to support incentive disbursement milestones
- 06 Periodic claim computation, certification support and audit-readiness for pari-passu and grant disbursements
- 07 Ongoing compliance monitoring, condition tracking and government correspondence management
- 08 Post-disbursement assurance, due diligence and dispute/query resolution support

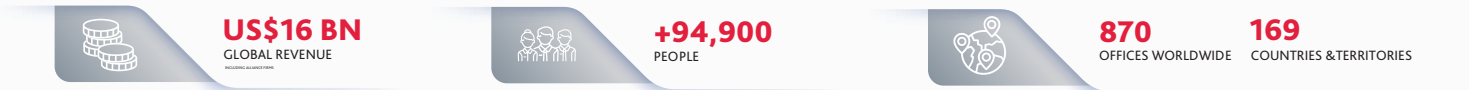




ABOUT BDO

BDO GLOBAL

BDO is an international network of independent public accounting, tax and advisory firms. We support organisations with an unwavering focus on quality, industry expertise, and the innovative use of technology to deliver impactful solutions. Our commitment to people, clients, and communities is at the core of everything we do. With our people-first culture, we foster an environment where diversity thrives, growth is nurtured, and continuous learning drives lasting progress for a sustainable future.



*AS OF SEPTEMBER 2025

BDO INDIA

BDO India offers Assurance, Tax, Advisory, Technology Products & Solutions, Digital Transformation, and Managed Services & Outsourcing to domestic and international clients across various industries. Bringing together expertise, innovatively driven and delivered through technology, we empower businesses to navigate their unique challenges with transformative, impactful, client-centric solutions. Helping people thrive is at our core, underpinning our commitment to building a sustainable future for our clients, people and communities.



*INCLUDES EMPLOYEES FROM BDO RISE AND BDO EDGE

For queries regarding our services, please [get in touch](#) with us
For any other queries or feedback, kindly write to us at marketing@bdo.in

- Ahmedabad
- Bengaluru
- Bhopal
- Chandigarh
- Chennai
- Coimbatore
- Delhi
- Goa
- Hyderabad
- Kochi
- Kolkata
- Mumbai
- Pune
- Vadodara

This publication has been carefully prepared, but it has been written in general terms and should be seen as containing broad statements only. This publication should not be used or relied upon to cover specific situations and you should not act, or refrain from acting, upon the information contained in this publication without obtaining specific professional advice. Please contact BDO India Services Private Limited to discuss these matters in the context of your particular circumstances. BDO India Services Private Limited, its directors, promoters, employees and agents do not accept or assume any responsibility or duty of care in respect of any use of or reliance on this publication, and will deny any liability for any loss arising from any action taken or not taken or decision made by anyone in reliance on this publication or any part of it. Any use of this publication or reliance on it for any purpose or in any context is therefore at your own risk, without any right of recourse against BDO India Services Private Limited or any of its directors, promoters, employees or agents. BDO India Services Private Limited, a private limited company incorporated in India, is a member of BDO International Limited, a UK company limited by guarantee, and forms part of the international BDO network of independent member entities. BDO is the brand name for the BDO network and for each of the BDO Member Entities. Copyright © 2026 BDO India Services Private Limited. All rights reserved. Published in India. Visit us at www.bdo.in

Detailed scheme content sourced from: Gazette of India Notification, Ministry of Electronics & IT (IPHW Division), F. No. W-38/6/2025-IPHW, 31 August 2026.