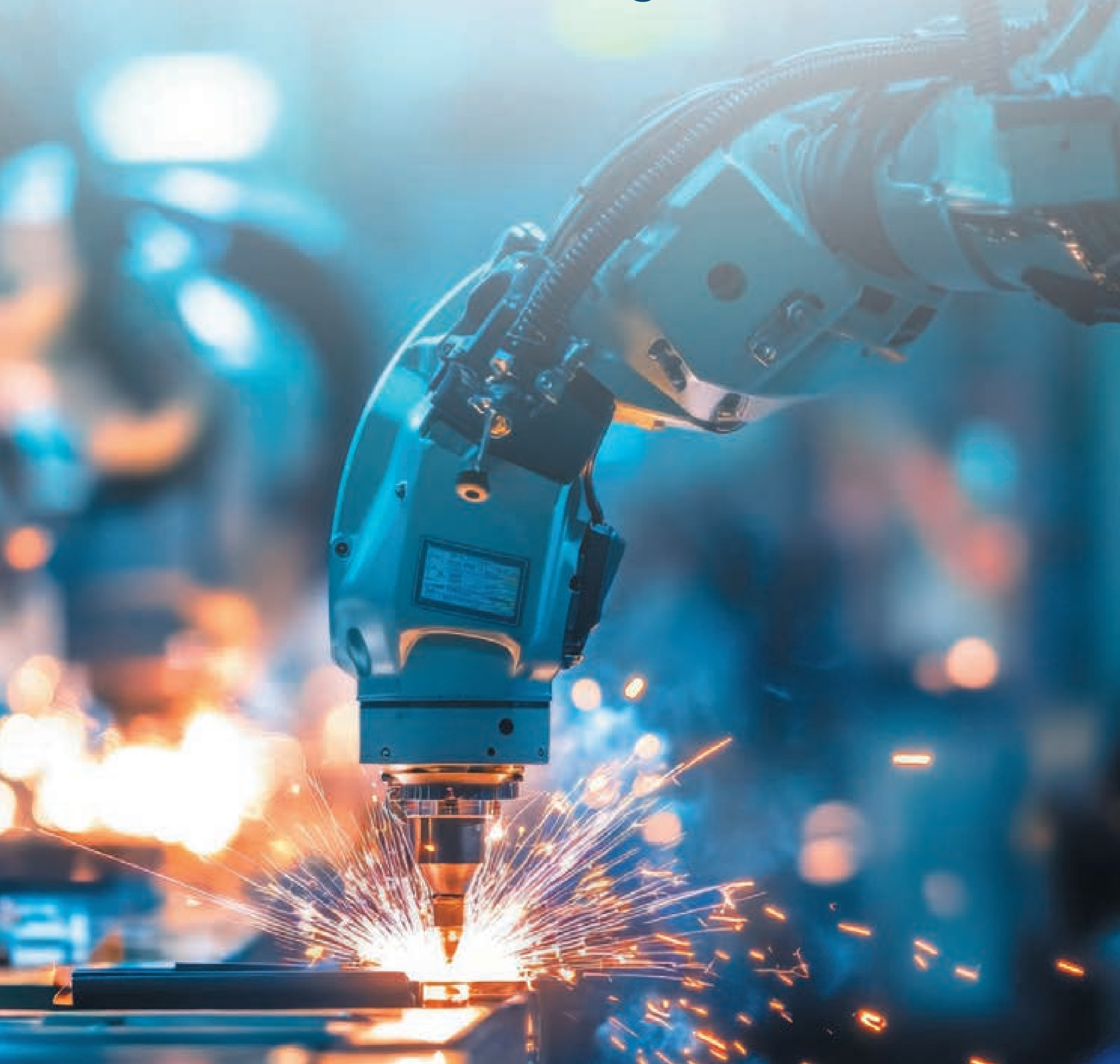
Global Competitiveness and Export Readiness of India's Manufacturing Sector



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Mr. Avinash Gupta

Managing Director & CEO – India, Dun & Bradstreet

India's manufacturing sector is on the cusp of significant transition. As supply chains diversify and new trade corridors open, the shift from scale led expansion to technology driven competitiveness is becoming unmistakable. This report takes stock of where India is today - its export momentum, policy architecture and sectoral depth - and what it will take to convert current gains into durable global market share. The picture that emerges is both encouraging and clear eyed.

The momentum is unmistakable. Manufacturing GVA growth, broad based strength across IIP, and firmer output through late 2025 point to strengthening industrial foundations. Production Linked Incentive programmes and the National Mission on Manufacturing are pushing localisation across electronics, pharmaceuticals, speciality steel and other sectors. The Export Promotion Mission is also helping bring greater coherence to the foundations of export-led growth - linking finance, compliance and market readiness into a unified framework. Moreover, the rise in foreign value added within exports reflects India's deeper integration into global value chains - an essential step toward strengthening domestic capabilities.

India's manufacturing export base continues to broaden, with engineering goods, electronics, textiles, pharmaceuticals, chemicals, and gems and jewellery all contributing to the momentum. Market access is expanding through recently concluded and operational trade agreements across Europe, the Gulf and Asia Pacific, placing a premium on rules of origin, certification and logistics reliability as the new markers of competitiveness. MSMEs, which presently contribute to nearly half of India's exports, and the growing dynamism of Tier 2 and Tier 3 cities are further strengthening the country's manufacturing footprint.

The path forward will require sustained discipline. Testing, certification, and metrology infrastructure must scale up, and quality variability across facilities and ports must narrow. As the EU's Carbon Border Adjustment Mechanism comes into full force, firms will need stronger ESG frameworks and far more robust emissions monitoring and reporting systems to stay competitive under the India–EU FTA. The way forward is clear: faster alignment with global standards, greater value addition in critical components, and consistently reliable delivery performance. Achieving this will require a decisive shift toward cleaner, resource efficient production, including expanded use of renewable energy based processes and emerging green hydrogen pathways that will shape the next frontier of global competitiveness.

With sustained execution - on technology adoption, quality assurance, and corridor-specific workflows - India can convert today's industrial momentum into a more competitive and resilient position within global manufacturing over the coming decade.

Preface

Ms. Sunita Ramnathkar

President, IMC Chamber of Commerce and Industry

India's manufacturing ecosystem has undergone notable transformation over the past decade. Structural reforms, production-linked incentive (PLI) schemes, enhanced infrastructure investments, GST-led tax harmonisation, and progressive trade agreements have together laid a strong foundation. The formalisation of the economy, rapid digitalisation, and a thriving startup ecosystem have further strengthened the industrial landscape. Yet, as global markets grow increasingly competitive, India must move towards scale, quality, innovation, sustainability, and technological leadership.

The post-pandemic global order has underscored the need for resilient and diversified supply chains. India is uniquely positioned to serve as a trusted manufacturing partner for the world—backed by its demographic dividend, expanding domestic market, robust entrepreneurial culture, and digital public infrastructure. However, global competitiveness today demands more than production capacity. It requires alignment with international standards, compliance with evolving regulatory frameworks such as ESG norms, adoption of Industry 4.0 technologies, and seamless trade facilitation mechanisms.

Export readiness must therefore should be viewed in wholesome. It spans logistics efficiency, port connectivity, customs simplification, access to competitive finance, skilled workforce availability, innovation capability, and strong integration with global value chains. Equally critical is the ability of MSMEs—who form the backbone of Indian manufacturing—to upgrade technology, improve productivity, and integrate into export ecosystems.

As India has signed several FTAs recently that covers 37 + developed nations as noted by Commerce & Industry Minister Shri Piyush Goyal and trade and and has positioned itself as a global manufacturing hub, the need for coordinated action between government, industry, financial institutions, and academia becomes paramount. Policy predictability, targeted incentives, skill development aligned with future technologies, and robust infrastructure development will determine the pace at which India can scale its manufacturing exports.

In this journey, IMC's flagship platform—the Bharat Calling Conference—has played a pivotal role in promoting Brand India globally. Conceived as a bridge between Indian enterprise and international investors, policymakers, and business leaders, the Conference has consistently showcased India's reform momentum, sectoral opportunities, and strategic advantages as a manufacturing destination. The 26th edition of the Bharat Calling Conference, scheduled on February 27, will focus intensively on how Bharat can emerge as a global manufacturing hub and an export powerhouse.

1 Executive Summary

Dr. Arun Singh
Chief Economist, Dun & Bradstreet

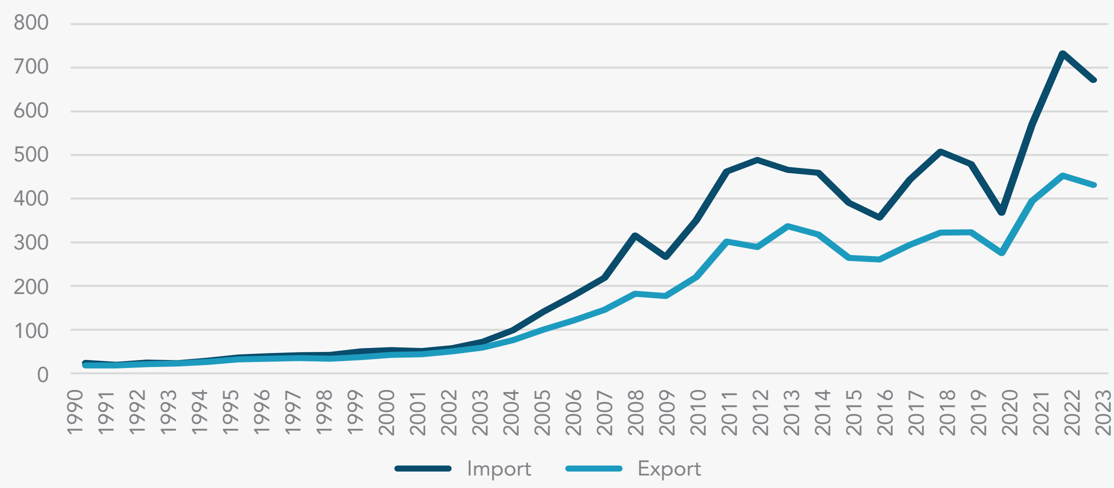
India's manufacturing sector is entering a pivotal phase: global supply chains are diversifying, trade corridors are widening, and domestic industrial capacity is strengthening. The country's export momentum, policy scaffolding, and long-term industrial signals all point to an economy that is increasingly competitive - yet still early in its climb toward higher-value, technology-intensive manufacturing. This report assesses India's global manufacturing position, export readiness, and the structural factors shaping its competitiveness.

- Sustained Manufacturing Gross Value Added (GVA) growth (at 9.1% in Q2 FY2026) reflects strengthening production capacity.
- Production Linked-Incentive (PLI) schemes and the National Mission on Manufacturing are accelerating localisation and scale across electronics, semiconductors, pharmaceuticals, and specialty steel.
- India is scaling Zero Defect, Zero Effect (ZED)-driven quality standards, skills development, and certifications across MSME clusters to boost local value addition and embed higher-value Global Value Chains (GVC) integration for durable export-led growth.
- Index of Industrial Production (IIP) and manufacturing output demonstrated broad-based strengthening in late-2025, supporting near-term momentum.
- Emerging Tier-2/3 districts are becoming new manufacturing hubs, reinforcing decentralised industrial growth.
- India is moving from assembly led growth toward deeper localisation and higher value production.
- Manufacturing export growth is being powered by a strong surge in engineering goods, rapid scale-up in electronics, resilient textiles and garments, robust petroleum product exports, expanding pharma and chemicals, and continued strength in gems and jewellery.
- Since 2021, India has concluded nine major agreements, including with the EU, UK, EFTA, Oman, Australia, New Zealand and the UAE. New corridors expand tariff-free access, especially for electronics, auto components, textiles, chemicals and capital goods.
- Export markets are diversifying toward high-growth economies in Asia and Africa, reducing reliance on traditional Western markets.
- Export basket diversification is improving, but high tech exports remain limited compared with East Asian counterparts such as Vietnam.
- Foreign Value Added (FVA) in manufacturing exports is rising - signalling deeper integration into global value chains and faster capability building.
- Gaps persist in testing/certification capacity, component ecosystems, and cluster level infrastructure.
- Testing, certification, and metrology infrastructure must scale up, and quality variability across facilities and ports must narrow. As the EU's Carbon Border Adjustment Mechanism (CBAM) comes into full force, firms will need stronger ESG frameworks and far more robust emissions-monitoring and reporting systems to stay competitive under the India–EU FTA.

2 India's External Trade Since 1991: From Opening to Scale

India's 1991 liberalisation ushered in a multi-decade expansion in cross-border trade. Exports and imports accelerated sharply from 1999 to 2011, plateaued through 2012-2021, and then re-surged post-2021 as global demand normalised, supply chains reconfigured, and the world shifted toward a new post COVID-19 normalisation phase. Throughout this period, imports have consistently exceeded exports, reflecting structural dependence on energy, capital goods, and critical intermediates even as the export base broadened.

Import & Export Profile of India (USD Billions)



Source: World Bank

1991–1999: Reset and Re-Alignment	Following the 1991 liberalisation reforms, India's trade grew slowly as the economy adjusted. Tariff cuts, easing of exchange controls and early private-sector expansion helped, but the decade mainly served as a stabilisation period rather than a phase of rapid trade growth.
1999-2011: Acceleration	From the turn of the millennium until 2011, India experienced its strongest multi-year expansion in external trade. Exports increased by well over 700%, while imports grew by nearly 800%, reflecting a sustained period of rising domestic investment, favourable global demand, and expanding participation in international supply chains. This period marked India's first major post-reform trade boom.
2012-2021: Plateauing	After more than a decade of rapid expansion, India's external trade entered a plateauing phase between 2012 and 2021, with exports and imports rising by only about 4% per year on average. Both faced years of decline, especially during the 2015 commodity slump and the 2020 pandemic. Overall, trade remained range-bound rather than growing strongly.
2022-2023: Renewed step-up	Post-2021, India's trade registered a renewed acceleration as the world transitioned into a new post-COVID-19 normalisation phase. Exports, after rising strongly in 2021, moderated slightly but still remained ~11% higher than the pre-pandemic average, signalling a recovery in global orders as supply chains re-settled. Imports surged more sharply, increasing by ~18% over 2021-2023, driven by elevated energy prices, stronger intermediate-goods demand, and revived investment activity.

This long-arc view frames where India sits in global manufacturing today. As India's trade trajectory has evolved, its position in global manufacturing now hinges on how effectively it expands its export footprint, upgrades the composition of its export basket, strengthens the scale of its manufacturing base, and deepens integration into global value chains.

3 India's Recent Manufacturing Export Momentum (Post-2023)

Since 2023, India's trade performance has remained resilient, with total exports (merchandise and services) reaching a record USD 825.3 bn in FY2025. This momentum has continued into 2026, with exports for April–January (2025–26) rising to USD 720.8 bn, a year-on-year (y/y) increase of 6.2%. India's external sector has absorbed successive global shocks, supported by steady growth in engineering goods, electronics and pharmaceuticals.

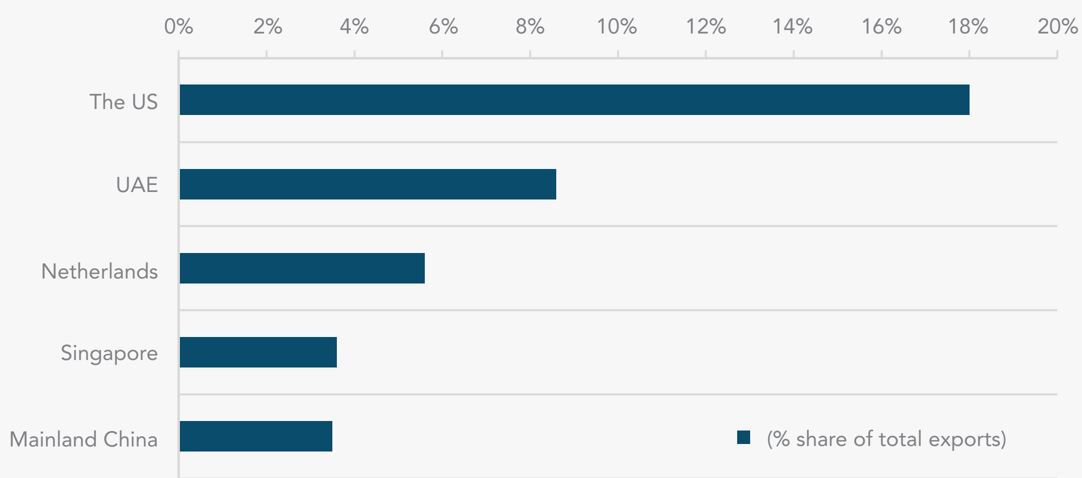
Trade resilience is being further complemented by the strengthening of India's manufacturing sector activity. The sector is estimated to have accounted for around 18% of GDP in FY2026, with Manufacturing GVA recording robust growth of 9.1% in Q2. The government's PLI schemes are increasingly positioning India as a global manufacturing hub, particularly in semiconductors, electronics, pharmaceuticals and speciality steel sectors. Furthermore, the National Mission on Manufacturing (NMM), introduced in 2025, has set a long-term target of raising manufacturing's share of GDP to 25% by 2035, paving the way for sustained growth. Recurring global supply-chain disruptions - stemming from geopolitical tensions, the Covid-19 pandemic, the Russia-Ukraine war and heightened tariff uncertainty - have accelerated shifts in global production patterns. These shocks have encouraged multinational firms to diversify operations, further supporting India's ongoing global trade integration.

3.1 Shifts in Export Markets and Product Patterns

According to UNCTAD's Trade and Development Report, released in December 2025, India ranks 3rd in the Global South for overall trade partner diversification. Notably, India's trade diversity score is higher than that of all Global North economies, underscoring the breadth of its commercial ties across emerging markets. In the merchandise trade diversity category, India places 4th in the Global South, behind Thailand, China, and Turkey, reflecting a broadening export basket and reduced dependence on any single product line.

India is shifting more of its trade toward fast-growing economies with a youthful demographic in the Global South (including across Asia and Africa), expanding its priority market list from 20 to 50 countries. By targeting these consumption-rich markets and exporting comparatively affordable goods - such as two-wheelers and pharmaceuticals - India aims to build long-term demand and reduce its reliance on traditional Western partners.

India's Top Five Export Destinations (2024)



Source: UN COMTRADE

Energy sourcing is also becoming more diversified, in part reinforcing domestic industrial stability. In FY2026, India increased crude imports from the US, UAE, Egypt, Libya and Nigeria to reduce dependence on any single region and strengthen energy security. This is part of a broader import strategy to manage geopolitical risks, global supply-chain disruptions and price volatility linked to concentrated sourcing.

3.2 Manufacturing Exports as a Growth Engine

India's export performance improved markedly between late-2024 and 2025, reflecting rising competitiveness and greater integration into global value chains. Total exports rose 15.5% y/y in November 2025 (to USD 73.9 bn from USD 64.1 bn) while imports stayed broadly stable. Manufacturing-led exports delivered some of the strongest y/y gains over the past year, signalling a wider structural strengthening of India's industrial export base.

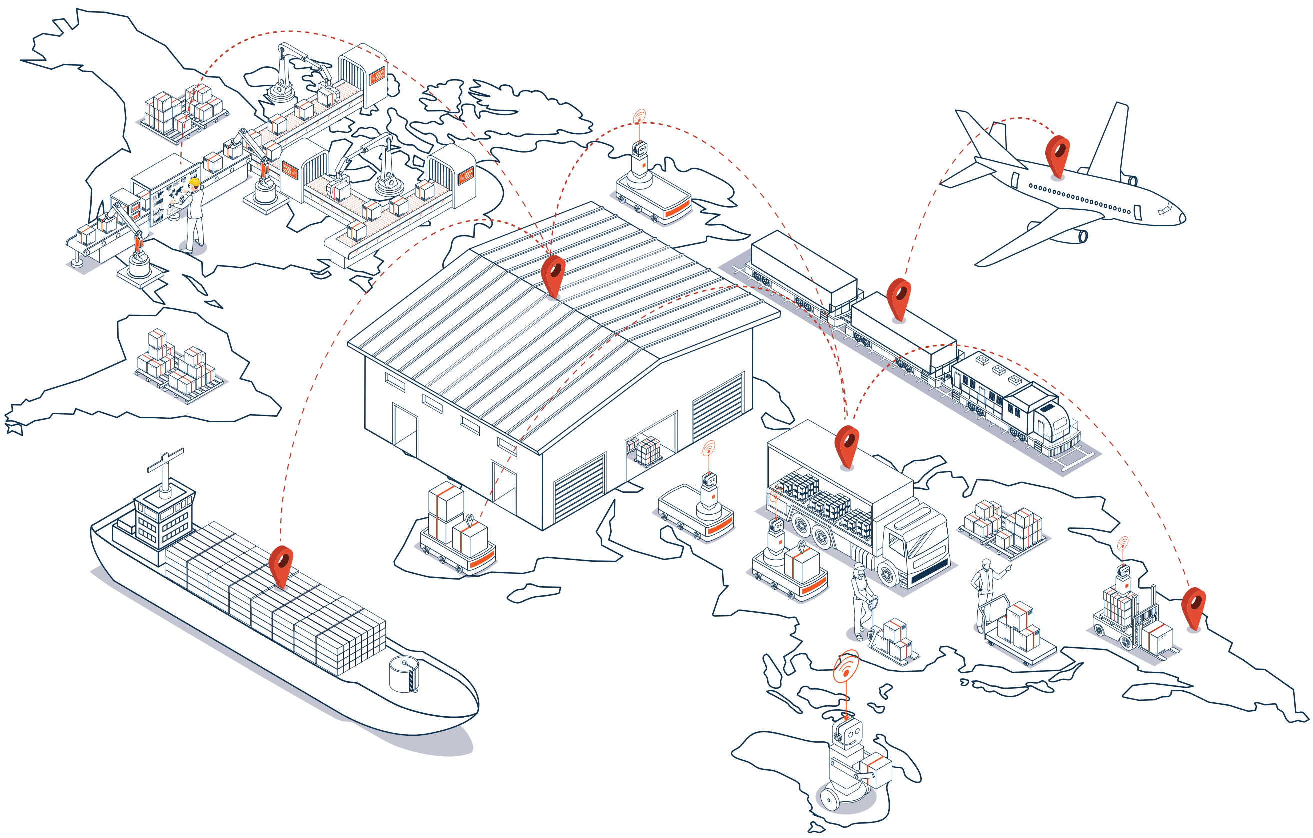
Manufacturing Sectors Fuelling Export Growth Momentum in 2025	
Engineering Goods	Engineering exports saw a sharp 23.8% y/y surge in November 2025, supported by rising demand including from the US, the EU, and the UAE. Policies such as Zero-Duty Export Promotion Capital Goods (EPCG) and the Market Access Initiative (MAI) scheme are helping improve cost competitiveness and scale. More recently, exports of renewable-energy equipment (such as solar modules and wind-turbine components) have picked up pace.
Electronics Manufacturing	Electronics exports are rising quickly as India attempts to build a USD 500 bn electronics ecosystem by 2030–31. Mobile phone exports have grown 127-fold over a decade, reaching Rs 2 trn in FY2025 (up from Rs 5 bn in FY2015). Cumulative smartphone exports for the first eight months of FY2026 rose sharply USD 15.6 bn. Apple's contract manufacturers - Foxconn and Tata Electronics - contributed 75–78% of India's total smartphone export value, as of January 2026. Top export markets include the US, UAE, Netherlands, the UK and Italy.
Textiles & Readymade Garments	Textile exports remained resilient despite global demand uncertainty. Readymade garment exports rose 11.3% y/y in November 2025, with strong growth in the UAE, Japan, Germany, Spain and France - underscoring competitiveness in labour-intensive manufacturing.
Pharmaceuticals & Chemicals	Pharma exports have grown sharply, and the sector is targeting double-digit growth through FY2027. India supplies about 20% of global generic medicines by volume. A major shift underway is into biosimilars, with India's global market share projected to reach 15% by 2030, supported by PLI 2.0 for pharmaceuticals. Chemical exports also rose 18.5% y/y in November 2025 as firms moved into more specialised, high-value product segments.
Gems & Jewellery	Exports of gems and jewellery rose 27.8% y/y in November 2025, driven by strong demand from the US, UAE, Hong Kong and Europe, reflecting continued strength in high-skill artisanal manufacturing.

As of February 2026, India has concluded nine major trade agreements since 2021, marking a clear shift toward deeper integration with both traditional and non-traditional partners, as well as key regional blocs. This renewed trade diplomacy reiterates the government's goal of reaching USD 2 trn in exports by 2032, further complemented by the Export Promotion Mission launched in 2025 which aims to strengthen the country's export competitiveness, specifically targeting MSMEs.

3.3 MSMEs role in Powering Export Growth

India is strengthening its position in GVCs by improving supply-chain participation and increasing local value addition. Government initiatives such as the Zero Defect Zero Effect (ZED) Scheme are actively supporting this shift by helping MSMEs cut wasteful practices and improve environmental performance.

With MSMEs accounting for roughly 48.6% of India's total exports as of early 2026, sustaining this momentum will require embedding ZED-driven quality systems across manufacturing clusters. This means institutionalising better production processes, strengthening skilling and apprenticeship frameworks, expanding global benchmarking, accelerating certification timelines, and ensuring wider MSME access to shared testing and compliance facilities. Together, these measures will help translate the new market access created through India's expanding trade corridors into durable market share, reinforcing the country's position as a reliable and high-quality global manufacturing partner.



4 Export Readiness: Sectoral Snapshot

India's competitiveness and export readiness at a global level varies across sectors, yet a clear common pattern emerges – manufacturing scale, gradual localisation, and sector-specific policy support through schemes such as PLI, combined with a unified export-enablement layer under the Export Promotion Mission (EPM) and the opening of new trade corridors, are collectively creating a more coherent foundation for export-oriented growth. These elements shape how each sector positions itself within global value chains and how quickly it can convert domestic capabilities into export opportunities.

The following table evaluates each sector through three common lenses - Structure & Positioning, Capability Gaps, and Near-Term Opportunities – bringing out the distinct dynamics and shared patterns that shape India's manufacturing competitiveness.

Sector	Structure & Positioning | Where India Stands	Capability Gaps | What Constrains Export Growth	Export Opportunities | Near-Term Potential
Electronics & Semiconductors	Moving from basic assembly to components and early OSAT/ATMP; PLI uplift in Electronics & IT hardware is helping localisation.	Limited depth in PCBs and passive components; slow EMI/EMC and reliability certification; OSAT/ATMP needs larger anchor orders.	Faster export gains in sub-assemblies (PCBs, camera modules, chargers and displays); early OSAT exports where cluster labs speed up testing. Benefits from EU-India trade corridor.
Pharmaceuticals (CRAMS/CDMO & APIs)	Strong generics base; CRAMS/CDMO scaling well; PLI continues to support critical lines.	Dependence on some APIs/KSMs; need faster GMP 2.0 upgrades and quicker regulatory filings.	Higher value CRAMS (e.g., sterile injectables) advance where shared validation suites exist; targeted API/KSM localisation; easier compliance (especially for mid-tier exporters) via EPM support.
Specialty Chemicals	Benefiting from global buyer diversification; growing in intermediates and performance chemicals. Corridor expansion (EU/Oman) supports market access.	Gaps in testing and traceability; not enough integrated chemical parks with shared safety systems.	Stronger exports in intermediates/performance chemicals where integrated parks and onsite certification are available. Newly established trade corridors to add tariff certainty as procedural readiness improves.
Auto & Auto Components	Competitive in internal combustion components; early progress in EV value chains; PLI supports upgrades and localisation.	Limited capability in power electronics and advanced drivetrains; uneven UNECE testing capacity.	Growth in wiring harnesses, castings, thermal systems and sensorised assemblies where testing and quality systems are standardised. Trade corridors with EU/Australia to provide price to quality headroom.
Engineering & Capital Goods	Higher domestic project activity lifting scale; rising output in industrial machinery and precision assemblies.	Patchy metrology/testing infrastructure; thin after-sales networks; inland logistics delays add cost risk.	Better export conversion in general machinery and power-transmission assemblies where metrology and logistics are reliable. EU/EFTA trade corridors to help open higher spec demand.
Defence & Aerospace Manufacturing	Growing capabilities in precision manufacturing, AI/ML, and robotics; stronger special-process clusters.	Limited capacity in special-process certification (heat treatment, coatings, NADCAP-type approvals); uneven digital traceability in Tier-2/3 firms.	Faster scaling of avionics LRUs, machined airframe parts, composites and harnesses where shared special-process cells shorten approval cycles.
Textiles & Technical Textiles	Shift from cotton to MMF and technical textiles; PLI and new corridors (EU/UAE/Oman) support expansion.	Gaps in high-spec MMF inputs, finishes, sustainability and chemical compliance at cluster level.	Growth in industrial technical textiles (filtration, geotextiles, coated fabrics) where testing labs are co-located and Rules-of-Origin (RoO) processes are clear.
Renewable / Net Zero Manufacturing	PLI support for ACC; localisation rising for balance-of-line components; access to EU markets improving visibility.	Need higher cell yields and better process control; thin upstream integration; limited domestic certification for bankability.	Exports can improve where digital-twin-driven production raises yields; localisation of enclosures, busbars and pack electronics improves cost reliability; and clearer EU standards pathways reduce delays.

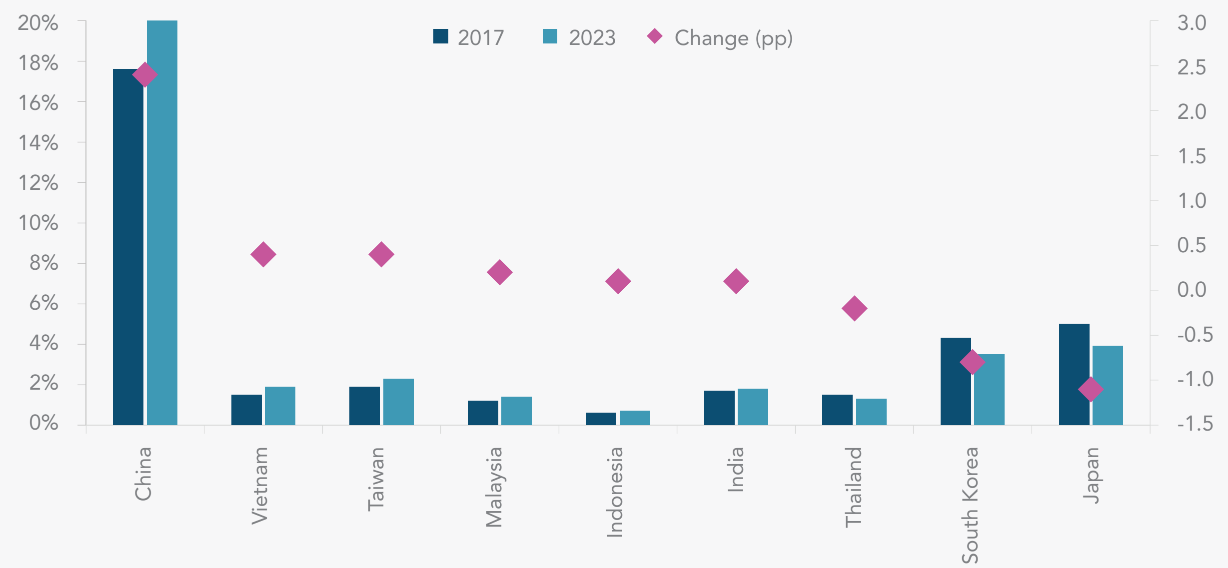
5 India in Global Manufacturing: Position, Patterns, and Structural Signals

India's manufacturing footprint in the global economy is being shaped by long-term shifts in trade integration, the evolving composition of its export basket, and the scale of its domestic production base. As global supply chains diversify and demand rebalances against a backdrop of an evolving tariffs landscape, India's relative position is increasingly determined by its ability to expand manufacturing export share, move toward higher-value product segments, and deepen linkages with cross-border value chains. Examining these structural signals – export share, export-basket evolution, manufacturing value added, and foreign value-added participation – provides a clear view of India's competitive standing and the levers that will influence its trajectory over medium to long term.

5.1 Global Share of Manufacturing Exports

A comparative assessment of India's manufacturing-export performance against key Asian economies highlights a somewhat less favourable relative trajectory, as per latest available data from World Trade Organization (WTO). While India's share of global manufacturing exports inched up only marginally – from 1.7% in 2017 to 1.8% in 2023 – several peers recorded far stronger gains. Economies such as Chinese Mainland, Vietnam, Taiwan, and Malaysia expanded their global footprint at a significantly faster pace, with Vietnam and Taiwan surpassing India despite being much smaller in size., and Taiwan and Malaysia registering materially higher increases over the same period. Meanwhile, traditional manufacturing powerhouses like Japan and South Korea saw declines in their shares but continue to command far higher levels than India.

Global Share of Manufacturing Exports (2017 vs 2023)



Source: WTO, Dun & Bradstreet Analysis

These comparative patterns highlight the importance of sustained attention to India's trade openness, manufacturing depth, and global value-chain integration—areas where consistent strengthening can help India translate its scale and capabilities into a more prominent and durable position in world manufacturing trade.

5.2 India's Export Basket Evaluation

Diversifying the export basket is an important driver of long-term economic growth. Countries typically broaden the range of products they export as they move from low-income to middle-income stages, because diversification helps reduce vulnerability to price shocks, creates new capabilities, and expands market opportunities. Research also shows an inverse U-shaped relationship between export diversification and income levels: diversification rises in the early stages of development but tends to slow or decline once countries become high-income and specialise in sectors where they hold strong comparative advantages. For an economy like India – still in the capability-building phase – continued export diversification remains essential for strengthening resilience, competitiveness, and value addition.

Evolution of India's Export Basket (Top 5 Goods, by year)

1991	Share	2011	Share	2024	Share
Natural/cultured pearls, precious stones (HS Code 71)	15.4%	Mineral fuels, oils (HS Code 27)	18.8%	Mineral fuels, oils (HS Code 27)	17.3%
Apparel (not knitted or crocheted) (HS Code 62)	9.3%	Natural/ cultured pearls, precious stones (HS Code 71)	16.6%	Electrical Machinery (HS Code 85)	9.1%
Cotton (HS Code 52)	6.3%	UN special code (HS Code 99)	4.6%	Nuclear reactors, boilers and machinery (HS Code 84)	7.4%
Coffee, tea, spices (HS Code 9)	4.1%	Electrical machinery (HS Code 85)	3.9%	Natural/cultured pearls, precious stones (HS Code 71)	6.8%
Ores, slag, and ash (HS Code 26)	3.6%	Organic chemicals (HS Code 29)	3.7%	Pharmaceutical products (HS Code 29)	5.3%

Source: World Integrated Trade Solution (WITS), World Bank, Directorate General of Commercial Intelligence and Statistics, Dun & Bradstreet Analysis

An examination of export-basket trends across major Asian economies shows that India has not yet made a decisive shift toward technology-intensive product categories, whereas, economies such as Vietnam and Mainland China have seen a substantial reorientation toward high-tech exports. Vietnam's export share of electrical machinery (HS 85) rose sharply from 13.3% in 2011 to 34.8% in 2024, reflecting deep integration into electronics supply chains. Similarly, Mainland China increased the share of electrical machinery in its export basket from 23.3% in 2011 to 26.7% in 2024, consolidating its competitiveness in higher-value manufacturing.

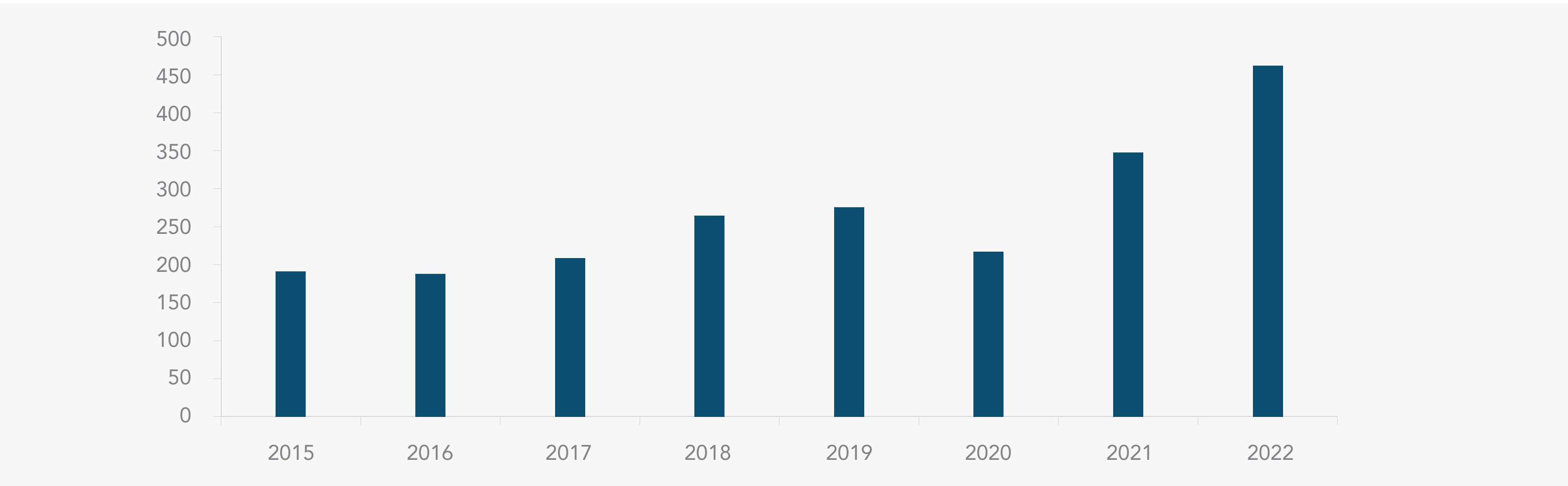
India is, however, beginning to show early signs of export-basket diversification, with technology-intensive categories such as electrical equipment and nuclear reactors, boilers and machinery gradually increasing their presence in the export mix. Although the current shares remain modest compared with economies like Chinese Mainland and Vietnam, the direction of change is encouraging. Recent policy initiatives – including the PLI schemes for electronics, IT hardware, autos, and advanced chemistry cells; the India Semiconductor Mission (ISM) aimed at developing fabrication as well as ATMP (assembly, testing, marking and packaging) and OSAT (outsourced semiconductor assembly and test) capacity; and the broader Make in India focus on high-value manufacturing – are collectively designed to accelerate this transition.

5.3 Foreign Value-Added in Gross Manufacturing Exports

FVA in gross manufacturing exports measures the value of imported intermediate inputs embodied in a country's manufacturing exports. It is a backward GVC participation indicator: higher FVA typically means firms are more integrated into cross-border supply chains, sourcing parts, components, and services from abroad to assemble and ship final goods.

For an economy scaling up in electronics, autos/EV subsystems, chemicals, machinery and renewable technologies, deeper access to global inputs, designs, and process know-how can accelerate capability building, product variety, quality, and delivery reliability. In the short-to-medium run, a prudent rise in FVA is a feature, not a bug – it helps India plug into established supply chains and meet export orders at speed, while domestic ecosystems mature.

FVA of Gross Manufacturing Exports (USD Billion)



Source: OECD, Dun & Bradstreet Analysis

Across the series, India's FVA in manufacturing exports trends decisively upward, with only a pandemic-year dip before a sharp catch-up and overshoot. This signals deeper plug-ins with global suppliers, faster access to components, and a rebound in export programs that required foreign inputs (e.g., electronics sub-assemblies, pharma inputs, capital-goods parts). This upward trajectory suggests that India is moving in the right direction, laying the foundation from which greater momentum can be built as domestic capabilities deepen and supply-chain ecosystems mature.

6 Competitiveness Foundations: Domestic Enablers and Industrial Momentum

India's manufacturing competitiveness is shaped not only by its global positioning but equally by the domestic foundations that underpin its ability to scale, deliver, and upgrade. These foundations include the strength of the policy architecture that supports production and exports, the real-time momentum visible in short-cycle indicators such as IIP and manufacturing production growth, and India's structural standing within the global manufacturing landscape. Together, they define the operating conditions within which firms invest, innovate, and convert capability into export performance.

6.1 Policy Scaffolding: Production Incentives, Export Frameworks and Market Access

The policy environment for manufacturing has become increasingly aligned with export competitiveness. Production incentives, unified export-enablement rails, targeted supply-chain programmes, and widening trade corridors are collectively creating a more predictable environment for firms scaling for global markets.

PLI: A two-step trajectory across Budgets

- **Automobiles & auto components**: The allocation first jumped in FY2026 from Rs 3.5 bn (FY2025 RE) to Rs 28.2 bn (FY2026 BE), signalling a stronger push into advanced automotive platforms and component localisation. It was then raised again in FY2027 to about Rs 59.4 bn, reflecting a further concentration of incentives as the programme matures.
- **Electronics & IT hardware**: The allocation stepped up in FY2026 from Rs 57.8 bn (FY2025 RE) to Rs 90.0 bn (FY2026 BE) to scale exports in mobiles/IT hardware and was subsequently rationalised in FY2027 to about Rs 15.3 bn as the original scheme neared its sunset and a re-optimisation of support was initiated.
- **Textiles**: The allocation rose in FY2026 from Rs 0.5 bn (FY2025 RE) to Rs 11.5 bn (FY2026 BE), laying a base for higher value-addition and export readiness; in FY2027 support continued by extending financing across a plethora of sector-related schemes.

These shifts reflect a deliberate push to accelerate localisation, deepen domestic value chains, and strengthen India's competitiveness in sectors where global sourcing and multinational diversification continue to expand.

Export preparedness is further bolstered by the EPM, approved in November 2025. By consolidating fragmented export-support schemes into a single digital architecture, EPM provides two integrated channels:

- **Niryat Protsahan**: improving access to affordable trade finance (interest subvention, guarantee instruments, export factoring).
- **Niryat Disha**: supporting compliance, branding, packaging, logistics optimisation, and market readiness.

Further, India's manufacturing policy scaffolding also extends to long-horizon capacity in high-value segments:

- **ISM**, anchored around ATMP and OSAT capacity, aims to build domestic capability in electronics and EV supply chains.
- **Incentives for Advanced Chemistry Cell (ACC)** batteries and solar PV components are aligned with global energy-transition supply chains, supporting both domestic deployment and export-grade manufacturing.

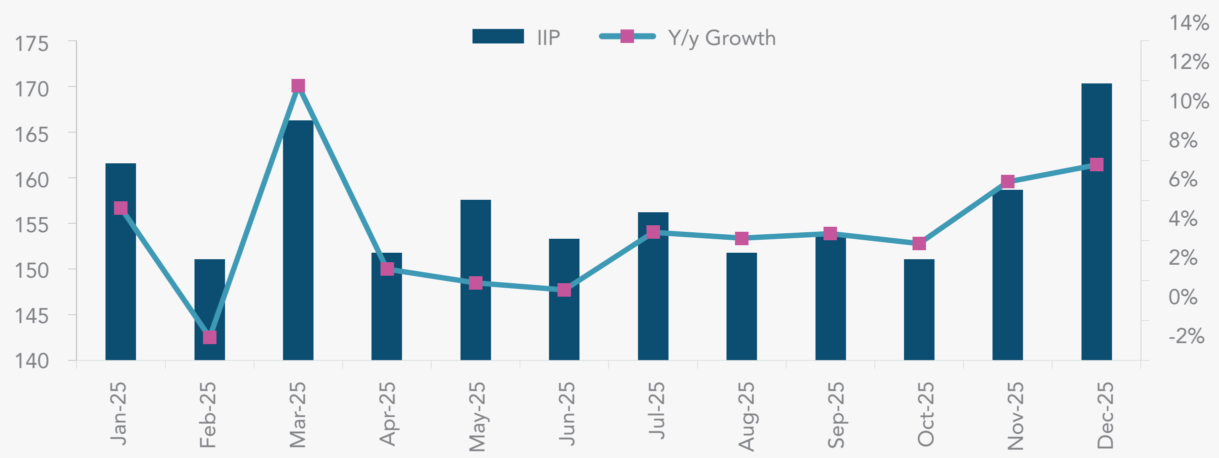
Adding another layer to these initiatives, India's external trade architecture is widening through ongoing and recently concluded agreements. The trade corridors referenced in Section 7.1 are positioned to expand tariff-free access for several manufactured product lines, deepen integration with global value chains, and open new procurement markets for Indian firms. These corridors are particularly relevant for electronics, auto components, chemicals, textiles, and capital goods.

6.2 Short Cycle Indicators: IIP and Manufacturing Momentum

Short-cycle indicators continue to provide a timely view of manufacturing momentum, capturing shifts in output, demand, and inventory cycles more rapidly than annual datasets. Together, the IIP and monthly manufacturing-production trends reflect an economy that, despite periodic soft patches, is starting 2026 with firmer industrial underpinnings than in the previous year.

Recent IIP readings point to broad-based firmness in industrial activity, with manufacturing, mining, and electricity jointly contributing to y/y gains. The latest official release shows manufacturing IIP expanding meaningfully in December 2025 – marking its highest growth in over two years – supported by improved output in pharmaceuticals, basic metals, motor vehicles, electrical equipment, and a range of infrastructure-linked categories. These signals reflect stronger domestic demand, higher utilisation levels in key industries, and a gradual strengthening of supply-chain conditions.

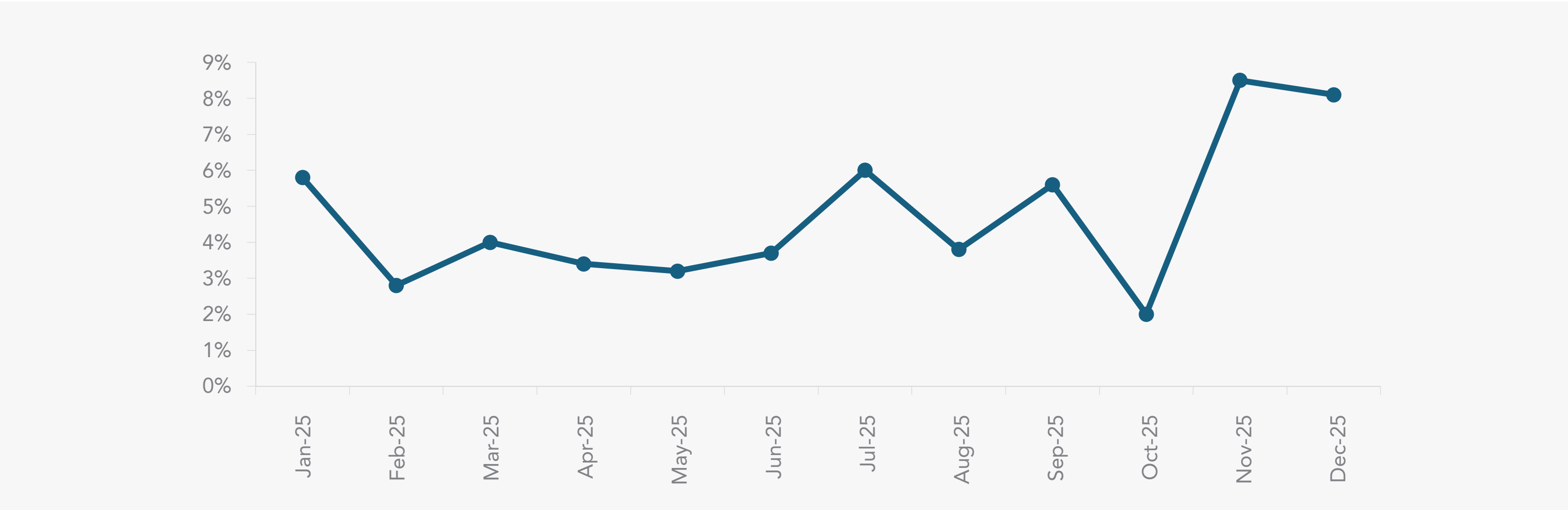
IIP and y/y Growth Rate



Source: Ministry of Statistics and Programme Implementation (MoSPI), Dun & Bradstreet Analysis

High-frequency manufacturing-production data indicates that output has been broadly improving toward the end of 2025, following a softer patch earlier in the year. Monthly readings show a upward tendency, reflecting firmer order inflows, stabilising input-cost conditions, and improved delivery timelines. The trend aligns with the broader industrial pulse - suggesting that as capacity utilisation firms up and supply chains normalise, manufacturing output is moving into a more consistent expansion phase.

Manufacturing Production (y/y Growth)



Source: MoSPI

6.3 India's Relative Position in the Global Manufacturing Landscape

India's near-to-medium term manufacturing outlook is shaped by multiple reinforcing factors: improved output, technology adoption, and distributed manufacturing capacity. The 'Manufacturing Reimagined' perspective in D&B India's 2026 macro-framework highlights a shift from scale-led growth toward technology-enabled manufacturing, with greater emphasis on semiconductors, advanced electronics, aerospace components, and renewable-energy supply chains.

Latest findings from Dun & Bradstreet's City Vitality Index (CVI) show that urban India is projected to account for nearly 70% of GDP in FY2026, up sharply from about 45% in the 1990s – a shift driven increasingly by emerging, non-metropolitan centres. The CVI identifies Tier-2 and Tier-3 cities such as North 24 Parganas, Thane, Jaipur, Prayagraj, Warangal, and Varanasi as fast-rising economic hotspots – cities that have moved up the rankings due to stronger infrastructure, business formation, Udyam registrations, and real-time economic activity captured through satellite-based metrics.

The emphasis on frontier technologies – particularly artificial intelligence (AI)/machine learning (ML), digital twins, robotics, and advanced materials – positions India to improve first-pass yield (FPY), reduce defect rates, and upgrade process precision to meet global buyer requirements. These elements are central to the advanced manufacturing roadmap, which outlines the creation of plug-and-play frontier parks and shared testing and certification facilities across priority sectors.

7 Leveraging New Trade Agreements and Trade Corridors

As India concludes and upgrades trade agreements across Europe, the Gulf, and Asia-Pacific, sectoral opportunities are increasingly shaped by tariff shifts and improved regulatory cooperation. India is likely to remain committed to prioritising bilateral trade deals in 2026, while also eschewing multilateral deals. As these trade corridors mature, clusters with strong documentation systems, predictable quality processes, and RoO-aligned supply chains are naturally better positioned to benefit. Market-access pathways now span a broad set of partnerships, each carrying distinct implications for manufactured exports.

7.1 Key Trade Agreements and Corridors Relevant to Manufacturing

Partner/ Bloc	Instrument	Status	Entry into Force/ Current Status	Headline note
Gulf Cooperation Council (GCC)	Free Trade Agreement (FTA)	Launched	ToR signed on 5 February 2026 to start negotiations	Scope to include goods, services, investment, and facilitation; modalities set
European Union	Free Trade Agreement (FTA)	Concluded (pending legal/ ratification)	Negotiations concluded in January-February 2026	Large scale tariff reductions and procedural streamlining expected once in force
Oman	Comprehensive Economic Partnership Agreement (CEPA)	Ratified	Signed on 18 December 2025; ratified on 15 February 2026	High tariff elimination shares; broad services commitments; entry into force steps next
New Zealand	Free Trade Agreement (FTA)	Concluded (pending legal/ratification)	Talks concluded December 2025	100% duty-free access for Indian exports; includes USD 20.0 bn investment commitment by 2040
European Free Trade Association (EFTA)	Trade and Economic Partnership Agreement (TEPA)	In force	1 October 2025	First of its kind clause: USD 100 bn investment & 1 m jobs in 15 years; wide market access and mobility features
UK	Comprehensive Economic and Trade Agreement (CETA)	Concluded (pending implementation)	Signed 24 July 2025; implementation likely by April 2026	Duty-free access for 99% of Indian exports.
Association of Southeast Asian Nations (ASEAN)	ASEAN-India Trade in Goods Agreement (AITIGA) – Review	Ongoing review	8th JC meeting (Apr 2025); next rounds scheduled by ASEAN/ India	Modernisation aims at easier RoO, customs facilitation, SPS/ TBT streamlining
Australia	Economic Cooperation and Trade Agreement (ECTA)	In force	29 December 2022	About 90% of Australian goods exports to India now tariff free (rising on schedule); 100% of imports from India tariff free under ECTA; CECA upgrade track open
United Arab Emirates	Comprehensive Economic Partnership Agreement (CEPA)	In force	1 May 2022	Preferential access covering about 97% of UAE tariff lines for Indian exports; broad services commitments
Mauritius	Comprehensive Economic Cooperation and Partnership Agreement (CECPA)	In force	1 April 2021	Preferential list of 615 products; TRQs and services coverage established

Pertinently, in early 2026, India and the US agreed to an Interim Trade Framework that lowers US tariffs on Indian goods from 50% to 18%, tied to India some conditions, including increasing US energy and technology imports. A mid-February US Supreme Court ruling, however, overturned the legal basis for earlier reciprocal tariffs. In practice, many Indian goods now face a 15% global surcharge plus standard Most Favoured Nation duties - resulting in a net tariff improvement for sectors like textiles compared with the earlier 18% or 50% rates. That said, high US tariffs on steel (50%) and certain auto parts (25%) under Section 232 remain in place. India is also in the process of negotiating a FTA with Peru, as on early 2026.

7.2 Regulatory & Standards Alignment for Global Markets

Export competitiveness is now closely tied to alignment with global technical standards, sustainability requirements, and process reliability norms. Manufacturers across sectors increasingly rely on embedded quality systems, digital traceability, and in-process monitoring rather than end-of-line inspections alone. The expansion of cluster-based labs, validation facilities, and reliability-testing capabilities – paired with the global shift toward digital conformity assessments – has made standards compliance a central element of export strategy. As markets such as the EU adopt more stringent due-diligence and sustainability disclosures, the coherence between India's regulatory frameworks and international expectations has become a key determinant of both speed-to-market and buyer confidence. This alignment is steadily reshaping the operating environment for export-oriented manufacturers, raising the baseline of quality and reliability across sectors.

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8 Building Blocks for Stronger Manufacturing and Exports

Export competitiveness in the near to medium term will depend not only on sector-specific performance and policy reforms, but also on a set of cross-cutting enablers that translate capacity into reliability, scale into quality, and policy into measurable outcomes. The next section outlines the most important levers that can accelerate India's rise within global manufacturing.

8.1 Advanced Manufacturing Roadmap

India's manufacturing pathway is shifting from scale-led to technology-enabled competitiveness. The advanced manufacturing roadmap emphasises AI/ML-based quality systems, digital twins for process control, robotics, and advanced materials, alongside plug-and-play frontier parks and shared certification testbeds to raise first-pass yield (FPY), reduce defect rates, and enhance traceability.

These technology enablers matter because global buyers increasingly prioritise process capability, traceability, and consistent OTIF performance, especially in electronics, capital goods, defence and renewable-energy supply chains. Frontier-tech adoption is therefore central to India meeting export-grade standards and closing quality gaps with East Asian suppliers.

8.2 Deepening Domestic Supply Chains & Value Addition

IIP data for December 2025 highlights strong performance in manufacturing (8.1% y/y), basic metals (12.7%), motor vehicles (33.5%) and pharmaceuticals (10.2%) – categories that anchor value-addition opportunities in downstream sectors. Raising domestic value-addition levels will require localisation of industrial-activities, cluster-level utilities and vendor development programmes.

8.3 Quality, Standards, and Certification Infrastructure

A critical constraint across sectors remains the availability and throughput of testing, inspection and certification systems – affecting electronics (EMI/EMC), pharmaceuticals (GMP 2.0), automotive (UNECE), aerospace special processes, and PV/ACC bankability. The advanced manufacturing roadmap directly targets this gap through shared testbeds, cluster-based labs, and digital quality tools to accelerate first-article approvals and reduce defect rates.

EPM further reinforces this through the Niryat Disha stream, which supports exporters with standards, compliance and market-readiness assistance, lowering friction and improving lead-time predictability.

8.4 Logistics, Infrastructure, and Trade Facilitation

Export competitiveness depends on timely, predictable delivery, especially as new trade corridors add additional market space for higher-spec products. These agreements deliver tariff-free access and expanded market reach but require exporters to meet strict rules-of-origin and compliance norms. Key logistics levers include reducing inland-to-port variability, expanding multimodal connectivity and container availability.

8.5 Port-led Export Growth

India's maritime corridors handle about 95% of trade by volume and 70% by value, making seaborne trade central to its global integration and competitiveness. With a 7,500 km coastline, 13 major ports and 217+ non-major ports, India's port sector anchors this growth. Cargo volumes are projected to exceed 7,100 MMTPA by 2047, driven by both container and non-container trade. Improving port efficiency, logistics corridors, and coastal infrastructure will be crucial to cutting costs and boosting export competitiveness. Major ports such as Mundra (largest commercial) and Jawaharlal Nehru Port Authority (largest container) continue to expand capacity as India's global trade strengthens.

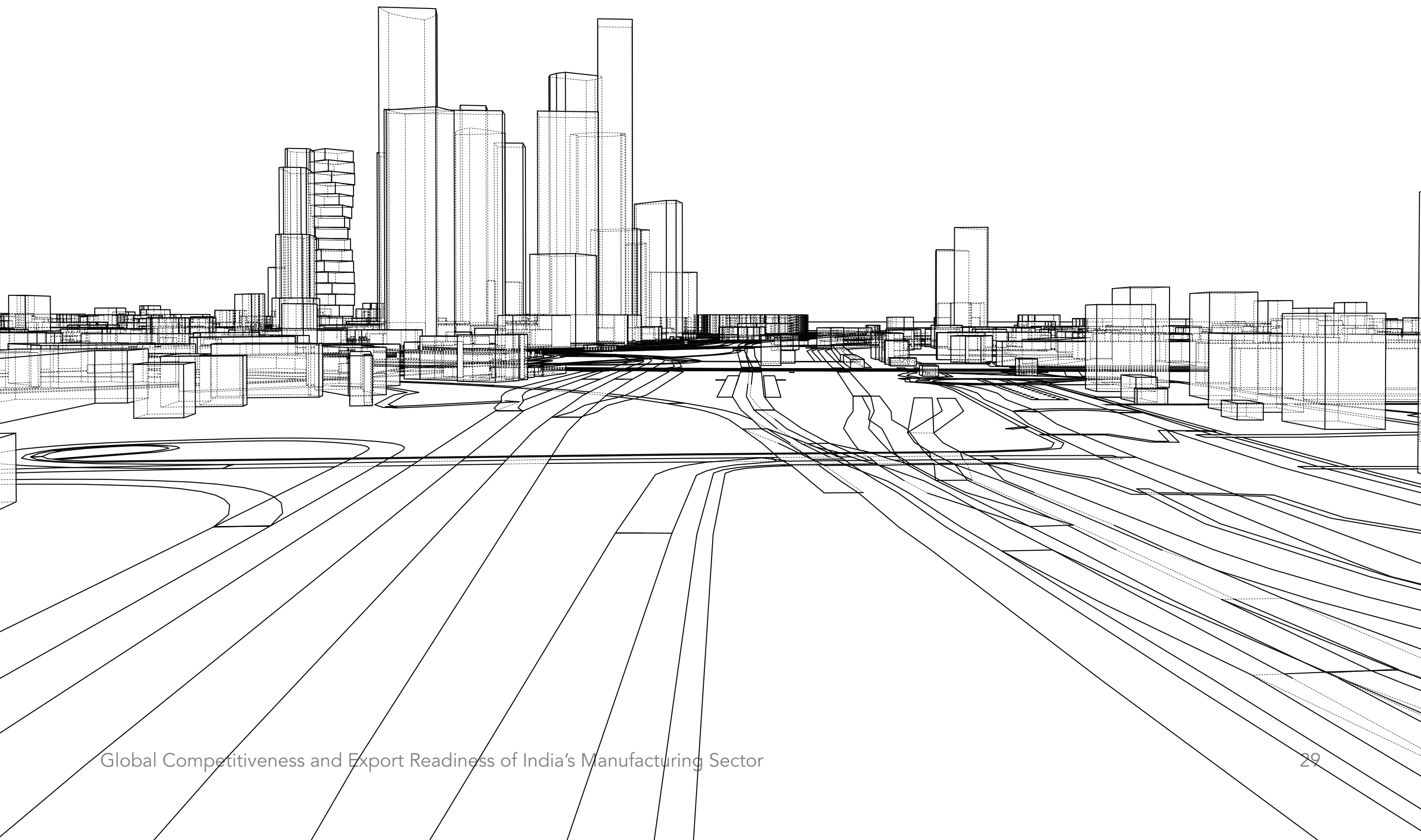
8.6 Skills and Cluster Strategy in Tier-2/Tier-3 Cities

Investment dispersion toward Tier-2/Tier-3 locations – observable in the manufacturing momentum and cluster patterns – creates opportunities to expand the workforce and supplier ecosystem outside traditional hubs by developing cluster-adjacent skill centres tied to anchor OEM requirements. These districts show rising vitality, supported by infrastructure improvements and sector-specific capacity.

According to Dun & Bradstreet's CVI report, several Class Y (emerging districts) have surfaced as emerging hubs, when viewed from a lens of manufacturing capacity lens:

- Surat is strengthening its position through textiles, diamonds and chemicals.
- Ghaziabad is registering broad-based industrial growth across engineering, electronics and food processing.
- Muzaffarpur benefits from agro-based industries.
- Hooghly combines jute, engineering and agriculture with strong connectivity to Kolkata.
- Moradabad continues to develop as a major brassware producer.

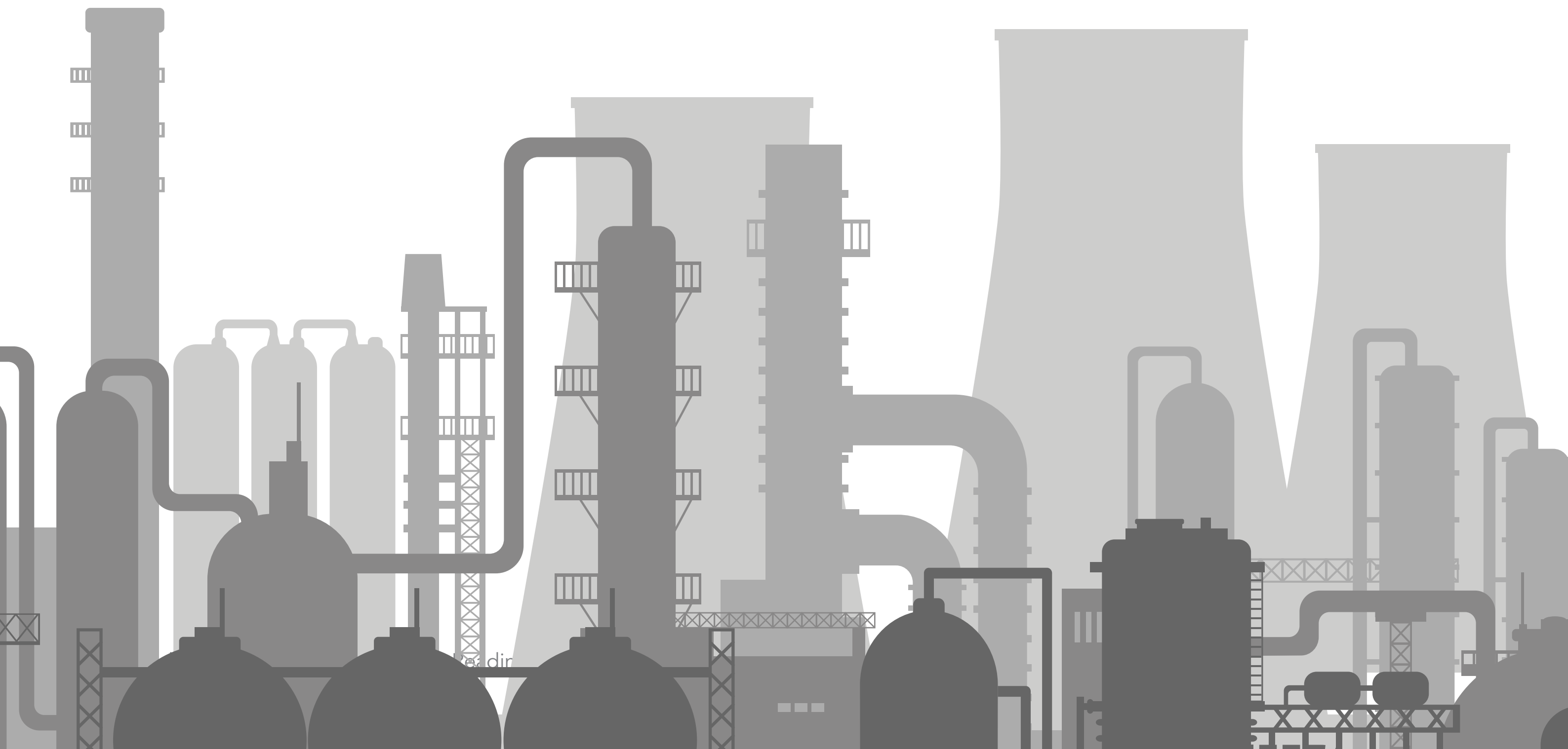
These trends suggest growing manufacturing depth outside traditional metros, which should support new investment and add momentum to export capacity.



9 Risks and Mitigation Strategies

Even with strong industrial momentum and a clearer export strategy, India's manufacturing growth still faces both global and domestic risks. Fluctuations in world demand, new tariff measures, supply-chain disruptions, and stricter compliance requirements can affect export performance in the near term. To maintain steady export growth amid shifting global conditions, it will be important for government and industry to identify these risks early and coordinate mitigation efforts proactively.

Focus Area	Risk	Mitigation Strategy
Trade Frictions and Weak Global Demand	Elevated trade frictions and slowdowns in major markets can reduce orders and widen India's trade gap.	Spreading exports across diversified markets and preparing rules-of-origin documents and certifications early to keep delivery timelines stable.
Input-Cost Volatility and Supply-Chain Disruptions	Volatile energy and raw-material costs, plus transport delays, can cut margins or push shipments past deadlines, particularly for time-sensitive consignments.	Localising key components within clusters, using multimodal transport options, and keeping buffers for long-lead items to reduce disruption.
Compliance, Certification, and Sustainability Gaps	Slow testing/certification capacity (EMI/EMC, GMP 2.0, UNECE, aerospace processes) and rising EU sustainability paperwork strain smaller suppliers.	Using shared testing centres within clusters and adopt digital quality tools (AI, digital twins) to speed up approvals and ensure traceability.
Policy and Governance Bottlenecks	Delays in incentive payouts and uneven scheme uptake can weaken export growth in PLI-linked sectors.	Tying incentives to clear export-ready milestones (quality, certification, value-addition) and using transparent scorecards to direct support where it delivers results.



10 Key Takeaways and Strategic Recommendations

The trajectory of India's manufacturing sector suggests a gradual shift toward high-tech and innovation-led growth. Policy momentum is likely to create ripple effects across supply chains, encouraging modernisation and deeper integration of MSMEs.

- Emerging cities are expected to play a bigger role as infrastructure and skill development initiatives gain traction, opening new corridors for investment.
- India is building credible manufacturing scale and integrating into global value chains faster than in previous decades.
- The transition toward high-tech, high-value exports is underway (albeit gradually); sustained policy support and cluster capabilities are key.
- Export competitiveness will hinge on technology adoption, certification throughput, logistics reliability, and MSME integration into GVCs.
- With consistent reforms and industry execution, India is well-positioned to expand its global manufacturing footprint over the next decade.

While challenges around technology upgrades and talent readiness remain, sustained government-led reforms and collaborative industry efforts will help position India as a key competitive player in global manufacturing exports over the near-term.

Strategic Recommendation	Actionable Implementation
Deepen Global Value Chain (GVC) Integration	Operationalise Rare Earth Corridors (Odisha, Andhra Pradesh, Tamil Nadu) and plug-and-play Chemical Parks to secure critical raw materials.
Integrate decisive shift toward cleaner, renewable-energy driven production	As the EU's CBAM comes into full force, firms will need stronger ESG frameworks and robust emissions-monitoring to stay competitive under the India–EU FTA.
Scale Up Frontier Technologies	Deploy Digital Twins, AI systems and robotics across manufacturing lines to improve yield and first-time-right production. Set up hi-tech tool rooms and automated service bureaus for precision component design and manufacturing.
Strengthen Port-Led Industrial Clusters	Co-locate export-oriented industries near major ports (e.g., Vadhavan, Paradip) to cut logistics costs.
Institutionalise Quality Standards	Stronger quality-assurance and traceability systems would help ensure reliable conformance to buyer specifications across electronics, machinery, chemicals, auto and renewables, lowering rework, returns, and claims.
Enhance Financial & Regulatory Enablement	Streamline export procedures through electronic sealing, deferred duty payments and duty-free import provisions for trusted exporters. Integrate the Government e-Marketplace (GeM) with TReDS to enable faster and cheaper credit for MSMEs.
Boost Technology & Talent Pipelines	Scale mission-mode projects (e.g., ISM 2.0 for semiconductor equipment, Biopharma SHAKTI for biologics). Build industry-institute alliances to align graduate skills with emerging needs in sectors such as EVs and AI. Developing cluster-adjacent skill centres tied to anchor OEM requirements

Looking ahead, India's manufacturing output and exports are expected to benefit from cost-effective labour, expanding domestic demand and supportive policy frameworks.

While bureaucratic hurdles and infrastructure bottlenecks persist, the overall outlook points to continued sectoral growth and a rising role for India in global manufacturing.

NOTES

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