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India Budget 2026-27: The Sourcing Playbook

What global buyers need to know about India's new trade policies

Why this budget matters for sourcing

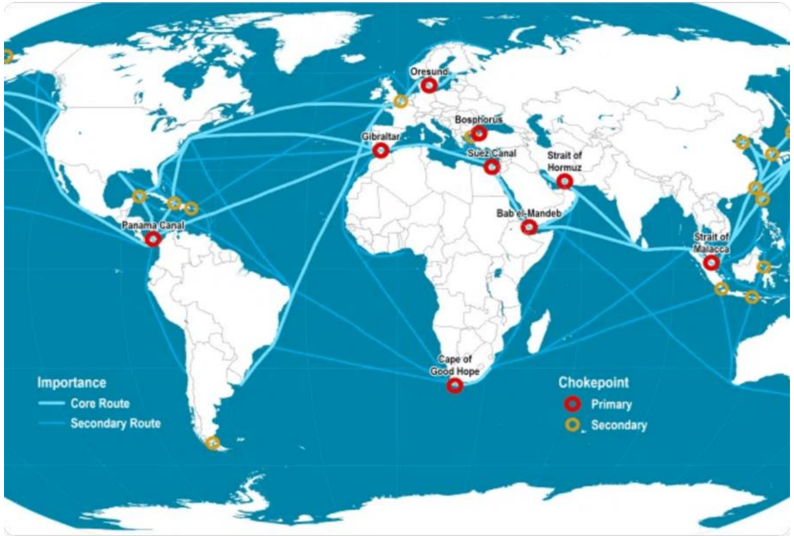
Budget 2026-27: Announced with a massive $1.4 trillion spending plan focused on growth.

Customs Duty Cuts: Strategic reductions across export-focused sectors to lower input costs.

Extended Timelines: Export window increased from 6 to 12 months, easing logistics.

The "Perfect Storm": Combined with the EU-India FTA, India becomes a prime sourcing hub.

Stable Growth: GDP projected at 6.8-7.2%, ensuring a reliable manufacturing base.



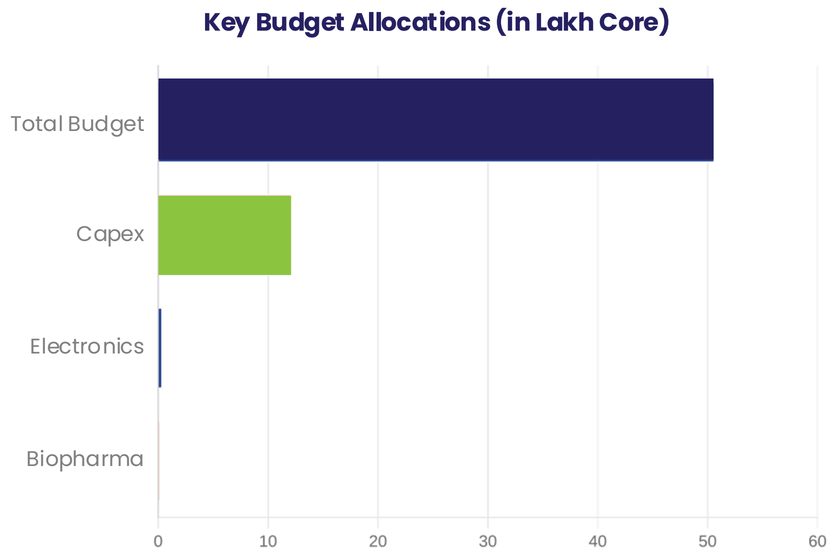
India's Export Target (2026)

$500 Billion+

(Up from $462B in 2024)

$1.4 Trillion budget with manufacturing at its heart

Metric	Value
Total Budget	₹50.65 lakh crore (~$600B)
Capital Expenditure	₹12.2 lakh crore (+9% YoY)
Fiscal Deficit Target	4.3% of GDP
GDP Growth Projection	6.8-7.2%
Electronics Scheme	₹40,000 crore
Biopharma SHAKTI	₹10,000 crore



Strategic focus areas

Manufacturing

PLI schemes expanded for toys, leather, and footwear to boost global competitiveness.

Energy Transition

Massive investments in solar and green hydrogen to reduce industrial power costs.

Digital & Tech

Focus on electronics components ecosystem to move beyond just assembly.

Agriculture

Value addition in seafood and processed foods for export markets.

Pharma & Chemicals

Incentives for API manufacturing to reduce dependency on imports.

Gems & Jewelry

Duty cuts on precious metals to revive the diamond polishing industry.

9 product categories just got more competitive

Category	Old Duty	New Duty	Impact
Mobile Phones (PCBA)	15%	10%	**Lower Mfg Cost**
Mobile Chargers	20%	15%	**Cheaper Accessories**
Precious Metals	15%	6%	**Jewelry Boom**
Leather Goods	10%	5%	**Export Boost**
Solar Panels (Inputs)	Custom	Exempt	**Green Energy Push**
Seafood (Shrimp Feed)	15%	5%	**Lower Aqua Costs**
Textile Machinery	7.5%	5%	**Modernization**

Sourcing Insight

The government is aggressively cutting duties on raw materials to make Indian finished goods competitive globally. Expect price drops in electronics and jewelry exports within 3-6 months.

Exporters now have 12 months instead of 6 months

⏱️

Old Rule

6 Months to re-export imported goods

→

🚀

New Rule

12 Months (Extendable) for re-export

💡 What This Means for Buyers

You can now send raw materials (fabric, leather, components) to Indian factories and have **double the time** for processing and manufacturing before re-exporting the finished product. This drastically reduces pressure on supply chains and allows for larger, consolidated orders.

Textiles & Apparel

High Impact

Duty Change (Spandex Yarn)

7.5% ➔ 5%

- **Lower Raw Material Costs:**
  Reduction in duties on MDI (used for spandex) directly lowers the cost of producing stretch fabrics (activewear, denim).
- **Competitiveness:**
  Makes Indian activewear and technical textiles more price-competitive against China and Vietnam.
- **Export Window:**
  Extended timeline allows for complex, multi-stage garment processing.

Sourcing Opportunity

Shift sourcing for **Activewear, Yoga Pants, and Stretch Denim** to India. 15-20% cost advantage expected.

Leather & Footwear

Export Boost

Duty Change (Wet Blue Leather)

10% ➔ 5%

- **Cheaper Inputs:**
  Reduced duty on wet blue leather lowers the cost of raw materials for footwear and leather goods manufacturers.
- **PLI Scheme:**
  Expanded PLI scheme for leather and footwear aims to create global champions and scale up production.
- **Quality Upgrade:**
  Access to high-quality imported leather at lower costs enables production of premium goods.

Sourcing Opportunity

Target **Premium Leather Shoes and Bags**. India is positioning itself as a high-quality alternative to China and Vietnam.

Biopharma SHAKTI: Expanding Drug Mfg

Innovation Focus

New R&D Funding

Dedicated funds to bridge the gap between research and commercialization in biopharma and medical devices.

- 💊 **Value Chain Shift:**
  India is aggressively moving from "Volume" (Generics) to "Value" (Complex Biologics & Innovation).

- 💊 **API Independence:**
  Continued PLI support to reduce dependency on imported Active Pharmaceutical Ingredients (APIs).

- 💊 **Medical Devices:**
  Incentives for manufacturing high-end diagnostic and surgical equipment domestically.

Sourcing Opportunity

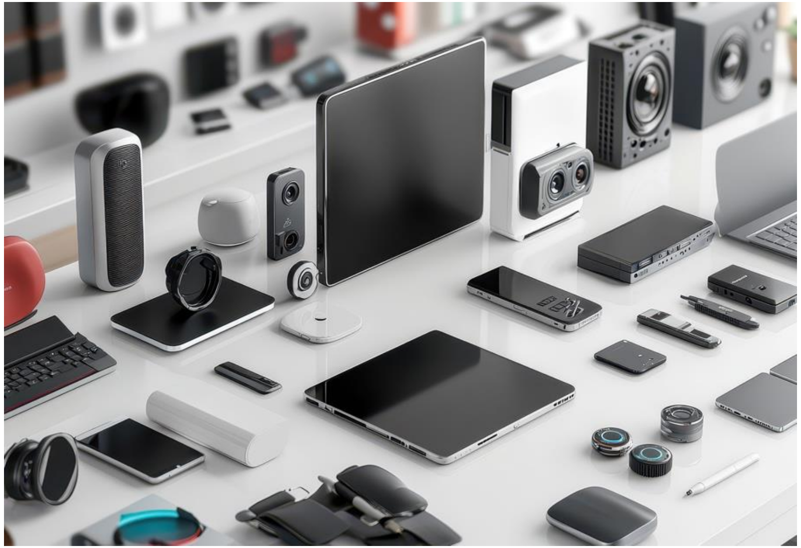
Look beyond generics. India is becoming a viable source for **Biosimilars, Complex APIs, & Medical Consumables** at 30-40% lower cost than West.

Electronics: Fastest Growing Export

Top Performer

PCBA (Mobile)	15% → 10%
Chargers/Adapters	20% → 15%

- **Component Ecosystem:**
  Duty cuts on PCBA and chargers incentivize local value addition, moving India beyond just assembly.
- **Global Hub:**
  With major players like Apple and Samsung expanding, the supply chain for components is maturing rapidly.
- **Cost Competitiveness:**
  Lower duties on inputs directly reduce the Bill of Materials (BOM) cost for finished goods.



Sourcing Opportunity

Look beyond phones: **Wearables, Hearables, and Mobile Accessories** are the next big wave for export sourcing.

Diamond Processing Capital

Duty Slashed

Duty Change (Gold & Silver)

15% ➔ 6%

💎 **Massive Cost Reduction:**
The steep cut in duties on precious metals significantly lowers the working capital requirement for jewelers.

💎 **Revival of Surat:**
Boosts the diamond polishing hubs in Gujarat, making them more competitive against other global centers.

💎 **Export Competitiveness:**
Finished jewelry exports become 5-10% cheaper, opening doors to US and EU markets.

Sourcing Opportunity

Source **Finished Diamond Jewelry** now. Prices are set to drop by 10-15% in the coming quarter.

Seafood - Riding the Export Wave

Cost Reduction

Duty Change (Shrimp Feed & Inputs)

15% ➔ 5%

- **Lower Production Costs:**
  Reduced duties on shrimp feed and broodstock directly lower the cost of aquaculture production.
- **Tripled Input Limits:**
  Duty-free import limit for inputs increased from 1% to 3% of export value, allowing for better quality feed.
- **Modernization:**
  New funding for Nucleus Breeding Centers to improve shrimp quality and disease resistance.

Sourcing Opportunity

Source **Frozen Shrimp and Value-Added Seafood** (breaded, processed). India is the 2nd largest aquaculture producer with falling costs.

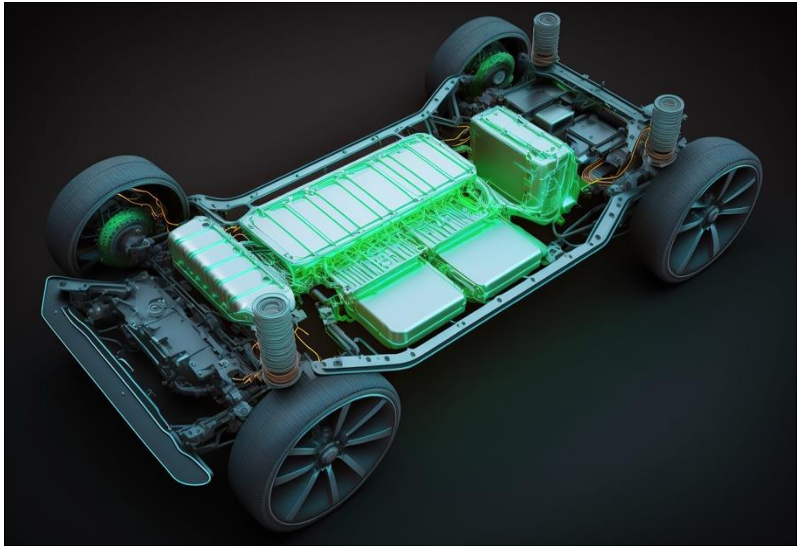
India wants to be your EV battery supplier

Future Growth

Duty Change (Critical Minerals & Machinery)

Variable ➔ 0% (Exempt)

- **Critical Minerals:**
  Customs duty fully exempted on 25 critical minerals including Lithium, Cobalt, and Copper – essential for EV batteries.
- **Manufacturing Machinery:**
  Capital goods for manufacturing Li-ion cells and batteries are now duty-free.
- **Solar Ecosystem:**
  Exemptions extended to solar glass and copper interconnects to boost local solar panel production.



Sourcing Opportunity

Look beyond China for **Battery Packs, Solar Modules, and EV Components**. India is building a complete ecosystem with 0% input costs.

Some categories face higher duties

Import Barriers

Category	Old Duty	New Duty	Reason
PVC Flex Banners	10%	25%	**Anti-Dumping**
Ammonium Nitrate	7.5%	10%	**Support Local Mfg**
Telecom PCBA	10%	15%	**Deepen Localization**
Plastic Products	10%	15%	**Curb Cheap Imports**
Laboratory Chemicals	10%	150%	**Boost Domestic R&D**

Selling to India?

The government is raising barriers on finished goods and intermediate chemicals to force local value addition. If you sell these products to India, consider setting up a local JV.

Countries that should SOURCE from India

US United States
China+1 Strategy

Why: Diversifying supply chains away from China.
Top Categories: Electronics, Pharmaceuticals, Home Textiles, Machinery.

EU European Union
New FTA + Budget

Why: Duty-free access combined with lower Indian input costs.
Top Categories: Leather Goods, Footwear, Apparel, Handicrafts.

AE UAE & Middle East
CEPA Agreement

Why: Zero duty access and geographic proximity.
Top Categories: Gems & Jewelry, Processed Food, Electronics.

Strategic Advantage

India offers a unique combination of **scale, English-speaking workforce, and government incentives** (PLI) that Vietnam and Bangladesh cannot match across diverse sectors.

Countries that should SELL TO India

Market Access

AU Australia & CL Chile

Critical Minerals: Lithium, Cobalt, and Copper are now duty-free. India needs these to fuel its EV revolution.

DE Germany & EU EU

Capital Goods: Machinery for textiles, leather, and food processing is in high demand to modernize Indian factories.

JP Japan & KR South Korea

Electronics Components: High-tech inputs for mobile and electronics manufacturing (PCBA, displays).

The Consumption Story

India isn't just a factory; it's a market. With GDP growing at 7%+, the demand for **premium goods, luxury vehicles, and high-tech machinery** is exploding.

Where India's $462 Billion in exports go

US USA — 17.5% ($77B)

AE UAE — 8.0% ($35B)

NL Netherlands (EU Gateway) — 5.0% ($22B)

CN China — 3.5% ($16B)

Engineering Goods & Machinery are a top export category

Strategic Shift

The West (USA + EU) is India's biggest customer. The new Budget incentives for manufacturing are designed to deepen this relationship, moving from raw materials to value-added Engineering Goods.

Mark Your Calendar: Key Dates

Feb 2, 2026

Immediate Duty Changes

Customs notifications effective immediately. Check your HS codes for new rates on electronics and raw materials.

Apr 1, 2026

New Financial Year Begins

Direct tax changes active. New PLI disbursement cycle starts for manufacturing sectors.

Oct 1, 2026

Exemption Review

Government review of conditional customs duty exemptions. Prepare for potential adjustments.

💡 Precision Planning

Use this timeline to renegotiate contracts with suppliers. Ensure all shipments arriving after Feb 2nd claim the new lower duty benefits immediately.

Your action plan for 2026

01 Audit Your HS Codes

Immediately check your product portfolio against the new duty structure. Categories like Leather, Seafood, and Electronics have immediate savings.

02 Re-negotiate Pricing

Input costs for Indian manufacturers have dropped (lower duties on raw materials). Ask your suppliers for a 5-10% price reduction.

03 Diversify Supply Chain

Use the "China+1" momentum. Start small with categories like Home Textiles or Accessories where India is most competitive.

04 Leverage Extended Timelines

Utilize the new 12-month export window to consolidate shipments and optimize logistics costs.

🚀 Pro Tip

Don't just look at price. Look at the **ecosystem**. Suppliers in PLI-backed sectors (like Pharma & Electronics) are investing heavily in quality and capacity. Partner with them early.

How SourcingGPT can help

Turn Budget Insights into Sourcing Action

Instant Duty Calculator

Automatically calculate landed costs with the new 2026 budget rates for every SKU in your portfolio.

Supplier Discovery

AI-driven matching with verified Indian manufacturers who benefit from the new PLI schemes.

Policy Alerts

Get real-time notifications on regulatory changes, like the Oct 1st exemption review, before they hit.

Cost Benchmarking

Know the "should-cost" price. Our AI analyzes raw material dips (like Copper/Lithium) to guide negotiations.

Try SourcingGPT Today

Ready to Source Smarter?

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