

Manufacture in India. Sell to the world.

Ten priority sectors for foreign direct investment — five already backed by \$25.3 billion in committed government incentives, five more ground-floor or newly mapped — each with a specific target FDI-source country, inside a \$776 billion import market that's still growing faster than India can supply it.

\$776.0bn

FY2025-26 import market

\$25.3bn

PLI outlay, 14 sectors

+7%

GDP growth, FY2025-26

THE OPPORTUNITY

A \$776bn import market that outgrew its own supply base

India's imports grew nearly six times faster than its exports over the last five fiscal years — the exact gap that import-substitution manufacturing investment is built to close.

MERCHANDISE IMPORTS, FY25-26

\$776.0bn

+26.6% over 5 years — the demand base for local manufacturing

MERCHANDISE EXPORTS, FY25-26

\$441.7bn

+4.7% over 5 years — India as a re-export & assembly base

IMPORT / EXPORT GROWTH RATIO

5.7x

The capacity gap this deck's sectors are built to close

For an investor, that gap is the pitch: India already buys these goods from somewhere. The question is whether they get made **in** India, with a government actively subsidizing the transition through Production Linked Incentive (PLI) schemes.

WHY NOW

A government actively de-risking the first mover

836

PLI applications approved

Across 14 sectors as of Dec 2025, \$3.69bn already disbursed, 14.39 lakh jobs created.

+75.6%

Services surplus growth, 5yr

A structurally strong external balance — India can absorb a larger goods deficit while it builds capacity.

96.37

₹/US\$, 17 Jul 2026

A weaker rupee lowers dollar-denominated setup costs and improves export-side margins for a new plant.

This isn't a generic "India is growing" pitch. It's five specific sectors where a scheme is already funded, a supply gap is already measured, and — where relevant — an export channel to the US, EU, or Gulf already exists.

Electronics & Semiconductor Manufacturing

HS84–85 · India's single largest and fastest-growing high-tech import chapter — and the one chapter where policy support is already the strongest in the whole ledger.

Import value, FY25-26		\$104.9bn
8-year growth		+101.5%
Export growth (same chapter)		+324.1%

POLICY BACKING

India Semiconductor Mission 2.0 (\$9.43bn) plus PLI Electronics/Mobile/Telecom — the strongest-matched chapter on either side of India's trade ledger. Currently 62% import-dependent on China for components: **the exact capacity gap a new fab or assembly plant fills directly.**

The investment case: government co-funding already committed, a domestic demand base of \$104.9bn/year, and a proven re-export channel — this same chapter is India's fastest-growing export line too.

Specialty Steel & Metals

HS72–73 · The rare chapter matched on both the import-substitution and export-growth sides of the same ledger.

PLI COMMITTED (1.0/1.1 + 1.2)

\$6.9bn

period-matched conversion — one of the largest single PLI levers

PRODUCTION TARGET, FY26-27

42 Mt

explicitly sized to cut import dependency

EXPORT VALUE, BOTH CHAPTERS

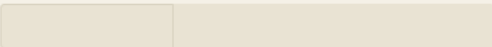
\$20.7bn

HS72 + HS73 combined, FY2025-26

Round 1.2 alone: 85 projects, 55 companies, \$1.40 billion, 8.7 million tonnes of new capacity, MoUs signed February 2026. **Genuine white space remains** for capacity beyond what's already been awarded — India still imports \$15.8bn of iron & steel a year.

Auto, EV & Battery Storage

HS87 · A budget that nearly tripled in one year, and an export base already reaching five continents.

PLI Auto, FY26-27 budget		\$701.4M
FY25-26 budget (prior year)		\$247.0M
Vehicle export growth, 8yr		+43.5%

ESTABLISHED EXPORT LANES

USA, Mexico, South Africa, Saudi Arabia, UAE — already India's top-5 vehicle export destinations. The complementary **ACC Battery Storage PLI** (\$2.25 billion, 50 GWh target, 40 GWh already awarded) feeds the same EV value chain.

The investment case: the fastest-scaling PLI budget in this deck, a market already exporting to 5 continents, and battery-storage capacity being built out in parallel.

Pharmaceuticals & Bulk Drug APIs

HS29/30 · India already leads the world in generic medicines. The gap is upstream — active pharmaceutical ingredients.

INDIA PHARMA + API EXPORTS

\$35.8bn

vs. ~\$1.3 trillion in global demand (NITI Aayog, 2025) — vast headroom

PLI BULK DRUGS

\$840.1M

48 projects selected, 34 already commissioned

IMPORTS AVOIDED SO FAR

\$179.5M

directly attributable to the scheme's early cohort

India remains roughly 70% dependent on China for API raw materials — the precise dependency this scheme targets. Telangana, Gujarat and Maharashtra are the established manufacturing clusters, with global-standard regulatory infrastructure already in place.

White Goods Components

AC compressors, copper tubes, aluminium foils (HS84) · A fully-subscribed scheme with a long committed production runway still to fill.

COMPANIES SELECTED

85 / 85

all four selection rounds complete — a mature, de-risked scheme

COMMITTED INVESTMENT

\$1.39bn

4-6% incentive on incremental sales through FY2028-29

CUMULATIVE PRODUCTION TARGET

\$23.58bn

the demand runway component suppliers are building against

The investment case: this scheme is closed to new PLI applicants, but that's the point — it signals a mature, proven supply chain a component manufacturer or Tier-2 supplier can plug into today, backed by a production target that runs to 2029.

Medical Devices

HS90 (subset) · A partial PLI window with three distinct, already-active FDI relationships to build on.

PLI MEDICAL DEVICES OUTLAY

Rs 3,420cr

a partial scheme — real headroom remains beyond current coverage

SIEMENS HEALTHINEERS (GERMANY)

€160M

the sector's reference investment, in production under the PLI umbrella

MEDTRONIC + GE-WIPRO JV (USA)

**\$350M +
Rs 8,000cr**

the two largest live US commitments in the sector

Japan adds a fourth track: Olympus's R&D center plus a new government-to-government research mechanism (the AMED-ICMR Memorandum of Cooperation, Aug 2025) — the same kind of treaty-level channel already working for Electronics and Auto/EV/Battery above.

Ten sectors, ten sourced country strategies – including one honest "no"

01 Electronics & Semiconductors	Taiwan (process tech) · Japan (IJICP) · USA (iCET/TRUST equipment)
02 Specialty Steel & Metals	Japan (JFE tech + Nashik) · Korea (POSCO-JSW \$7.73bn)
03 Auto, EV & Battery	Korea (LGES-JSW, Agratas equipment) · Japan (Toyota \$1.9bn, Suzuki)
04 Pharma & Bulk Drug APIs	USA (BIOSECURE-driven CDMO shift, Eli Lilly \$1bn)
05 White Goods Components	Japan (Daikin, Nidec) · Korea (Samsung, LG) · Denmark (Danfoss)
06 Medical Devices	Germany (Siemens Healthineers) · Japan (Olympus) · USA (Medtronic)
07 Inorganic Chemicals	Japan (Sumitomo, Mitsubishi Gas Chemical) · Germany (Lanxess, directional)
08 Plastics	Saudi Arabia & UAE (\$44bn RRPCL, MOU-stage) · Qatar · Japan
09 Aircraft & Spacecraft	France (Tata-Airbus C295, operating) · USA (Boeing, Lockheed) · Israel (IAI)
10 Textiles & Apparel (cotton)	No FDI-source country found. Real capital is Indian-owned, reshoring from Bangladesh. Fix is broadening PLI Textiles' scope, not a country pitch.

Reading the quota, not just the tariff

India is starting to pair tariffs with volume quotas — a distinct instrument with its own game theory.

THE MODEL

Passacantando & Raciti (2025) frame a tariff-rate quota as a **Generalized Nash Equilibrium**: several exporting firms compete for access to several importing countries, each setting a two-tier duty — low below a volume threshold, high above it. Because the quota is shared, one firm's access depends on how much the others take.

Journal of Dynamics and Games, Apr 2025 · DOI 10.3934/jdg.2025011

INDIA'S LIVE CASE — AC COMPRESSOR QCO, MAY 2026

Import volumes capped at 30-40% of FY2025 levels. Stated government intent: China's GMCC (the dominant global maker) **"cannot sell into India unless they build factories in India."**

A quota is a harder wall than a tariff — a firm can't pay its way past it. The model predicts exactly this: build in India, or cede share to whoever can operate inside the cap.

Worth knowing before targeting Japan/Korea for Specialty Steel (sector 02): India's own steel safeguard duty (through 2028) names both countries. Read through this model, that's not a contradiction — the duty is the mechanism pushing their capacity into Indian joint ventures rather than continued arm's-length exports.

CONFIRMED ACTIONS ONLY — NO SPECULATION

The official tariff timeline, 2025 to present

20 Feb 2026	US Supreme Court strikes down the entire IEEPA reciprocal-tariff regime — every India-specific rate issued under it is voided.
20 Feb 2026 →	Replaced with a flat global 10% Section 122 surcharge — not India-specific, capped by statute.
24 Jul 2026	The flat 10% surcharge is due to expire by statutory limit — the single most consequential near-term date in the current picture.
Pending	A proposed 12.5% Section 301 tariff naming India as the intended replacement — comment period closed 6 Jul 2026, not yet in force.
In force	Section 232: 50% steel/aluminum (global) · 25% semiconductors (AI chips only) · 100% patented pharma — generics/biosimilars excluded .
1 Jan 2026	EU CBAM definitive period begins on schedule — directly exposes ~\$20.7bn of India's steel exports (see risk slide).

Because the whole 2025 reciprocal-tariff schedule was voided, the "India lost out to Vietnam/Bangladesh on tariffs" story is currently moot — all three now face the same flat 10%. And per NITI Aayog's own Trade Watch: China+1 diversification has had "limited success so far" for India — Vietnam, Thailand, Cambodia and Malaysia have captured more of the shift.

States are competing hard on top of central incentives

Every sector in this deck gets a state-level top-up — capital subsidy, SGST reimbursement, land and power concessions — layered on the central PLI figures already shown.

01 Electronics & Semiconductors	Gujarat tops up central ISM subsidy by 40% (~70% total capex support); Uttar Pradesh adds 50% on top (Tarq Semiconductors: Rs 7,037cr capital subsidy awarded)
02 Specialty Steel & Metals	Odisha : 20-30% capital subsidy + a mining-lease linkage reserving 50-80% of iron ore for state-based steelmakers; Chhattisgarh : rebate ceiling raised to 150% of investment for sponge-iron/steel
03 Auto, EV & Battery	Tamil Nadu : 100% SGST reimbursement for 15 years; Uttar Pradesh : 30% capital subsidy (capped Rs 1,000cr) for the first 2 ultra-mega battery/EV projects
04 Pharma & Bulk Drug APIs	Telangana 's new Next-Gen Life Sciences Policy 2026-30 targets \$25bn investment; Gujarat 's Biotechnology Policy adds up to 25% capital subsidy on top of the general 12%
05 White Goods Components	Andhra Pradesh 's Electronics Policy 4.0: 20-30% capital subsidy by project scale; Tamil Nadu : 15-30% by district, with "Consumer Electronics and Appliances" explicitly named a priority sub-sector

WHERE IT'S ALREADY LANDING

Real state hubs, with the evidence behind each one

Not just incentive policy on paper — named capital already committed, sector by sector.

Electronics — Gujarat & Assam	Micron's \$2.75B ATMP at Sanand (commercial production Feb 2026); Tata Electronics-PSMC's Rs 91,000cr fab at Dholera; Tata's Rs 27,000cr ATMP at Jagiroad, Assam
Steel — Odisha & Karnataka	Odisha's Kalinganagar complex (Tata Steel expanding 3→8 Mt, Rs 47,599cr) plus 10 more mega plants worth over Rs 4 lakh crore; Karnataka's JSW Vijayanagar (12 MTPA, India's largest single-location plant)
Auto/EV/Battery — Tamil Nadu & Gujarat	Tamil Nadu's Chennai corridor makes 45% of India's automobiles; Gujarat's Tata Agratas 20 GWh battery gigafactory and Reliance's Jamnagar 40 GWh battery gigafactory (both targeting 2026)
Pharma APIs — Telangana & Gujarat	Telangana's Genome Valley: 200+ companies incl. Novartis, GSK, Dr. Reddy's; Gujarat: ~28-33% of India's drug manufacturing by volume, 130 USFDA-certified facilities
White Goods — Andhra Pradesh	Sri City already makes roughly half of India's ACs; LG's third India plant (~\$600M, targeting end-2026) and the Daikin-Rechi compressor JV are both sited there

Two things worth knowing before you pick a state: West Bengal legislatively revoked every industrial incentive it had in 2025. Hyderabad's flagship Pharma City project currently has its land acquisition under a Telangana High Court stay. Full sourcing: [state & central incentives bulletin](#).

Three sectors, no PLI yet — no incumbent to out-compete

Real, growing, unmet demand — with no Production Linked Incentive scheme in place. The first credible entrant sets the terms.

Inorganic Chemicals

HS28

\$14.2bn

import value, growing +86.0% over 8 years

Plastics

HS39

\$22.2bn

import value, growing +45.8% over 8 years

Aircraft & Spacecraft

HS88

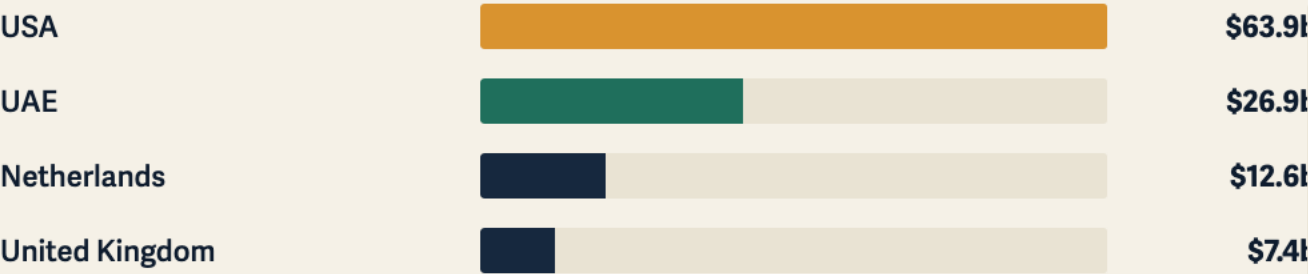
\$13.8bn

import value, growing +80.9% over 8 years

These are the cleanest import-substitution candidates this analysis found: real value, real growth, and — unlike the five sectors above — no existing scheme or funded competitor to negotiate around.

Manufacture here, and the export channel already exists

India's fastest-growing export chapters already reach the world's largest buyers — a new plant inherits the channel, not just the domestic market.



COMBINED EXPORT EXPOSURE BY DESTINATION, TOP 12 GROWTH CHAPTERS

The USA alone is the top-8 destination in 11 of India's 12 fastest-growing export chapters. That's an established, deep buyer relationship a new manufacturer can sell into from day one — not a market that needs to be built from scratch.

Two risks worth pricing in, honestly

An investment case is only credible if it names its own risks. Both below are real, quantified, and manageable — not reasons to pass, reasons to structure around.

CARBON BORDER RISK (CBAM)

\$20.7bn

of India's steel exports (HS72/73) sit inside the EU Carbon Border Adjustment Mechanism's initial scope. Specialty Steel PLI scales production; it doesn't by itself address the carbon-cost exposure. **Structure for it:** pair new capacity with lower-emissions production routes from day one.

CURRENCY VOLATILITY

+11.9%

rupee depreciation in the 12 months to July 2026 — faster than the prior decade's ~3.3%/year average. Favorable for dollar-cost setup and export margins now; underwrite financing assumptions against continued volatility, not the current spot rate alone.

Full sourcing and methodology: herrickshaw.github.io/india-trade-sector-policy-recommendations

THE SCORECARD

Where PLI became real capital, sector by sector

Real DPIIT/RBI FDI-equity inflow tested against every scheme's launch date — not the government's self-reported "committed investment" figures. 2 green, 5 amber, 3 red.

Electronics & Semis FDI +352%, moves opposite the national cycle	Medical Devices FDI ~4x baseline, cleanest positive result	Specialty Steel Real capacity, but domestic capital — FDI channel hasn't converted	Auto, EV & Battery Gigafactories real, but Tata/Reliance capital — not FDI	Pharma & APIs Rose, but timing points to COVID reshoring, not PLI
White Goods Full subscription only Jan 2026 — too early to call	Aircraft & Spacecraft No scheme, but the mildest FDI decline of any control sector	Inorganic Chemicals No scheme, FDI -46.5% — the clearest "needs a first mover" case	Plastics FDI -58.8%, worst trend in this scorecard; \$44bn deal stuck at MOU	Textiles & Apparel PLI/product mismatch, no FDI-source country identified

Methodology note: state-wise FDI data is attributed by a company's **registered office**, not its factory location — proven directly via a Jio Platforms/Gujarat case that predates the Semiconductor Policy by two years. Full sourcing: [master sector scorecard](#).

THE FINANCING QUESTION

Why some states self-fund, and others need FDI

India's domestic capital isn't one price — benchmarked against 9 target countries' central bank rates, all below India's own.

INDIA'S TWO-TIER COST OF CAPITAL

RBI repo rate		5.25%
AAA bonds (Tata/Reliance)		7.4-8.3%
Ordinary borrower (EBLR)		9.5-10.5%

67.6% of the banking system's floating-rate book is now EBLR-priced — but AAA conglomerates bypass banks entirely, borrowing 100-250+ bps cheaper via bonds.

EVERY TARGET COUNTRY'S RATE SITS BELOW INDIA'S 5.25%	
Japan	1.00%
Taiwan	2.00%
Eurozone (Germany)	2.25%
South Korea	2.75%
USA	3.5-3.75%
Saudi Arabia	4.25%

DOMESTIC CAPITAL STATES

Assam, Odisha, Gujarat (battery), Karnataka — strategic capacity + AAA-tier bond access, no foreign IP dependency.

FDI STATES

Andhra Pradesh, Maharashtra, Tamil Nadu (compressors) — foreign-owned technology, no domestic incumbent to license from.

Honest caveat: cross-checked against ICRA's own sector-risk notes, this holds unevenly — strong for Defence, explicitly absent for Steel. Full analysis: [domestic vs. FDI capital case](#).

Re-run on FY2025-26 data: the verdicts moved

This analysis refreshes when the data does. FY2025-26 FDI closed at \$58.8bn (+18%) — and against that rising cycle, three sector verdicts changed. New mix: **1 green · 6 amber · 3 red**.

Electronics & Semis

−43.5%

green → amber. FDI nearly halved while the national cycle rose 18%. Landed capacity is real — but increasingly domestic-funded.

Medical Devices

−40.4%

green → amber. The concentration risk the original verdict itself flagged — a few MNC deals carrying the rise — materialized.

Pharma & Bulk Drug APIs

+114%

amber → green. Doubled to the series' highest level — landing after ₹5,433cr of disbursement, so the "it was just COVID reshoring" objection is now materially weaker.

THE EXPORT HALF IS WORKING

Electronics exports **+324% (5yr) to \$54bn**; Vehicles +43.5%; steel articles +42.8%. The only declining export chapters are the cotton-apparel ones PLI structurally misses.

THE IMPORT HALF ISN'T, YET

Electronics imports also doubled — **+101.5% to \$104.9bn** — the input side of the export boom. Component localization (ECMS) is where the deficit actually narrows.

Interactive version with slicers, growth-vs-volume analysis, and six ranked action items: [FY2025-26 verdict re-run dashboard](#).

THE REPORT CARD

Does the incentive actually get paid? Grades, A to F

₹28,748cr disbursed across all 14 PLI sectors as of 31 Dec 2025 — **roughly 15% of the outlay**, verified against Parliament-answer PRIDs. For an investor, the grade below is the probability the scheme's money actually arrives.

A Pharma (36% of outlay paid, sales ₹3.19 lakh cr) · Electronics (₹15,554cr paid, every target exceeded)	B Medical Devices (₹157cr paid, 44 first-in-India products) · Telecom (~₹1,175cr paid, accelerating) · Food Processing · White Goods · Bulk Drugs (0.8% paid, outcomes real) · Solar PV (zero paid <i>by design</i>; 30 GW commissioned)	C Drones (tiny scheme, did its job)	D Auto (9.2% paid, accelerating) · Steel (0.8% paid; 14 of 58 projects withdrew) · Textiles (0.5% paid, to 2 unnamed companies)	F ACC Battery — zero disbursed; 1 of 40 GWh in "pilot production" since Mar 2024, in PIB's own words
---	--	--	--	---

Who is actually producing (per PIB, release IDs cited): Micron, Kaynes and CG Semi shipping chips from Sanand · Foxconn and Dixon the first LSEM incentive recipients · 27 bulk-drug plants across 15+ named companies · Siemens Healthcare, Wipro GE and Philips making CT/MRI/coils in India. And a transparency tell: **the underperforming schemes are also the anonymous ones** — PIB names zero companies for Textiles, Steel and Food Processing.

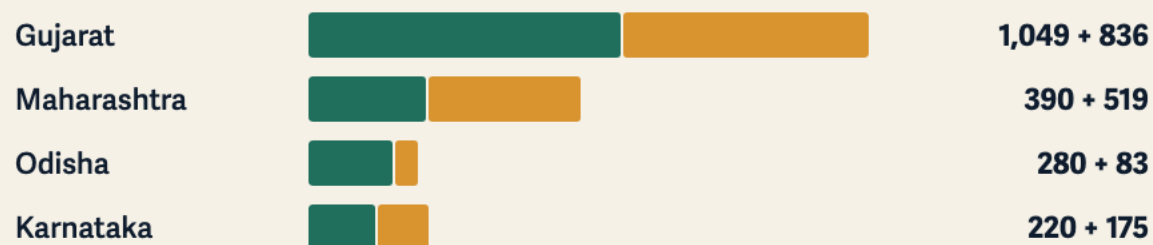
Full graded table with evidence and PRIDs: [PLI report card](#) · IEM record: B+ (implementation ratio 109.9% in 2025) · Grades updated on Mar-2026 Lok Sabha replies — revisions shown, not hidden.

THE CLEARANCE PIPELINE

What's actually coming: the environmental-clearance register

Between announcing a project and producing sits the gate that never lies: land acquired, Environmental Clearance obtained. India's full national EC register (113,804 proposals, state approvals included) is **openly queryable** — and it shows which states' investment surge has real pipeline behind it.

INDUSTRIAL ECS: GRANTED ■ VS IN-EIA (TOR) ■



Gujarat holds ~31% of all industrial EC grants plus the deepest forward pipeline. Maharashtra has more projects in EIA study than already cleared. Grant flow is accelerating: 198 → 734 → 1,102 per year.

FLAGSHIPS IN THE REGISTER

Micron · Kaynes · Reliance electrolyser — **EC granted**

Tata fab (Dholera) · Tata ATMP (Assam) — **in EIA (ToR)**

All 3 Bulk Drug Parks · 3 of 7 PM MITRA parks — **EC granted**

Agratas 20 GWh gigafactory — **in EIA (ToR)**

THE ABSENCES ARE DUE DILIGENCE

POSCO-JSW's \$7.73bn steel JV: **no EC application exists**. RRPCL (~\$44bn): **absent from the register entirely**. A project of scale with zero clearance activity is not being built — verifiable in one query.

For an investor this register is a free diligence tool: any Indian project's clearance reality is one API call away. Full state table, sector split and proposal numbers: [EC pipeline bulletin](#).

NEXT STEPS

Ten sectors, one window — while the incentive is still open

Electronics, Specialty Steel, Auto/EV/Battery, Pharma APIs, White Goods and Medical Devices carry funded government backing today. Inorganic Chemicals, Plastics and Aerospace remain open ground floor. Every sector above names a specific country to court — except Textiles, an honest "not yet."

FACILITATION

Invest India

National Investment Promotion & Facilitation Agency

POLICY

Ministry of Commerce & Industry

Department for Promotion of Industry and Internal Trade

FULL ANALYSIS

github.com/herrrickshaw

india-trade-sector-policy-recommendations