

Govt plans to replace imports worth \$189 bn

Eyes targeted domestic mfg of 1,272 products

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The Centre has prepared a joint strategy with states to substitute imports worth \$189 billion through targeted domestic manufacturing of 1,272 products across sectors such as chemicals, electronics, machinery and speciality steel, according to an official document reviewed by *Business Standard*.

Each of the identified products record annual imports of over \$50 million, and is either not manufactured in the domestic market or produced in inadequate quantities, the document said.

Zeroing in on specific products for import substitution helps in building the manufacturing ecosystem and the supply chains as well as to re-orient state-level policies for greater ease of doing business.

The exercise is based on the central government's assessment, based on FY26 import bill, that only 26 per cent of India's import basket is realistically amenable to import substitution. India's goods import bill was at an all-time high of \$776 billion in FY26, which included \$246 billion of crude oil and gold.

The government's import substitution agenda has gained urgency amid the ongoing geopolitical conflict.

India's top 10 imports



FY26 import bill (\$ bn) LHS TOTAL* 776.01

Petroleum, crude & products	173.94
Electronic goods	116.18
Gold	71.98
Machinery, electrical & non-electrical	61.73
Transport equipment	34.76
Non-ferrous metals	28.87
Organic & inorganic chemicals	27.91
Coal, coke & briquettes, etc	27.90
Artificial resins, plastic materials, etc	22.76
Vegetable oil	19.49

*Includes other items

Source: Ministry of Commerce and Industry

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The rupee depreciated for the fourth consecutive day on Thursday to settle at 96.33 against the dollar as tensions intensified again in West Asia. India's foreign exchange reserves have depleted over 7 per cent from a record-high of \$728.49 billion before the onset of the US-Iran war on February 28 as imports of metals, oil and fertiliser turned expensive.

Out of the total imports, around 46 per cent, or \$332 billion, comprised products such as crude oil, gold and coal that cannot be substituted through domestic manufacturing. Another 28 per cent were products where India is already competitive and imports are driven primarily by cost or quality considerations rather than the absence of domestic industrial capacity.

The Centre has outlined an action agenda for states to develop manufacturing ecosystems around the identified products. It has recommended that states designate sector-specific manufacturing clusters and align their industrial policies to promote domestic production.

The document notes that schemes such as Advance Authorisation and Export Promotion Capital Goods (EPCG) continue to support imports of inputs and capital goods. Developing state-level manufacturing clusters could help expand domestic production of these products over time.

The Centre has also asked states to establish single-window clearance systems on the lines of the National Single Window System to expedite approvals and regulatory clearances. It has recommended fiscal support through measures such as



stamp duty waivers and capital expenditure incentives. Meanwhile, the Centre has formed working groups under the Department for Promotion of Industry and Internal Trade (DPIIT) to identify more products for import substitution. States can then advance the plan by creating an enabling environment for their indigenisation.

State governments are the critical implementation layer of the plan as land acquisition, regulatory clearances and incentive policies fall within their jurisdiction.

An email sent to the commerce ministry remained unanswered until press time.

India's imports have continued their sharp rise in FY27 with inward shipment value climbing 20 per cent annually to \$216.18 billion in just the first quarter of the year.

Experts believe that the government's product-level approach is more targeted than broad import substitution programmes, but caution that success would depend on building domestic manufacturing capabilities across the value chain rather than simply shifting final-stage assembly to India. "Deep manufacturing requires sustained product-level industrial policies, engineering capabilities, tooling, and skilled suppliers," said Ajay Srivastava, founder of

Delhi-based think tank Global Trade Research Initiative. "Unless India focuses relentlessly on building domestic

capabilities product by product, the import dependence on China will remain difficult to reduce," he added.

Carmakers switch lanes to bring more software engineers on board

"As vehicles become increasingly connected, electrified and software-defined, software engineering has emerged as one of the fastest-growing talent categories," Kandi said.

Hyundai Motor India is witnessing a similar trend. "We are seeing a growing need for talent in electrical, electronics, software, and embedded systems, especially in product planning, connectivity, mobility, procurement, and manufacturing engineering domains," said Natwar Kadel, associate vice president and vertical head, human resources, Hyundai Motor India. Unlike a decade ago, software engineers are now involved right from the vehicle design stage, working alongside mechanical engineers to develop connected features, ADAS, over-the-air updates and battery management systems.

"Vehicle development today follows an integrated engineering model where software, electronics and mechanical engineers collaborate right from the concept stage. This enables faster development, tighter hardware-software integration and greater agility in delivering advanced vehicle technologies," Kandi said.

Diverse shop floors

The other transition visible on shop floors is the increase in the share of women employees. For instance, Tata Motors has more than 6,500 women shop-floor technicians across its operations and an all-women workforce of around 3,000 at its facility in Pune that assembles SUVs.

Indeed, across companies, there has been an increase in the number of women. Hero MotoCorp already has an all-women assembly line and is

targeting an increase in the share of women employees from around

20 per cent at present to 30 per cent by 2030. At MG Motor India, women account for over a third of its workforce. Even commercial vehicle maker Ashok Leyland has an all-women assembly line in Hosur, Tamil Nadu. In fact, the share of women employees in the sector is expected to rise well beyond the current 15 per cent to over 20 per cent in the next few years, experts said.

The increasing role of software is also changing how value is created in vehicles. According to Tata Motors, software now contributes around 40 per cent of overall vehicle value, up from 10 per cent five years ago. "The growing demand for embedded software, ADAS, automotive cybersecurity, and software-defined vehicle capabilities indicates that automakers are investing in future-ready talent alongside their traditional engineering workforce," said Aditya Narayan Mishra, managing director and chief executive officer of CIEL HR.

This isn't a case of one set of roles replacing another, Mishra added. "We are seeing a more balanced talent mix emerge, where future growth will be driven by the ability to integrate mechanical engineering with digital and software skills."

Thanks to tailwinds like the rise in sales of electric and connected vehicles and the rationalisation of the goods and services tax (GST) hiring in the sector is set to increase by 8 per cent in financial year 2026-27 (FY27), according to a report by AI-powered talent fulfilment