

Budget On Manufacturing Fy2019-fy2026

Dhruv - [Notebook Link](#)

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Questions

1. Summarize manufacturing emphasis in Union Budget Speeches FY2019-FY2026

Manufacturing Policy Evolution - Union Budget Speeches FY2019-FY2026 (Consolidated Analysis)

FISCAL YEAR	PRIMARY MANUFACTURING FOCUS	KEY POLICY INSTRUMENTS	BUDGET ALLOCATION
FY 2019-20	Make in India, Electronics Manufacturing, Food Processing	Customs duty rationalization National Policy on Electronics 2019	Food Processing allocation doubled to ₹1,400 crore
FY 2020-21	Investment-driven growth, EV manufacturing, National Logistics Policy	Corporate tax rate 15% for new manufacturing FAME-II ₹10,000 crore	₹1.7 lakh crore for transportation NIP ₹102 lakh crore
FY 2021	Atmanirbhar Bharat, PLI Schemes, Defence Manufacturing	PLI ₹1.97 lakh crore for 13 sectors MITRA scheme for textiles	Capital Expenditure ₹5.54 lakh crore (34% increase)
FY 2022	Amrit Kaal vision, PLI implementation, Defence self-reliance	PLI for 14 sectors, Defence capital budget ₹1.52 lakh crore	Capital Expenditure ₹7.5 lakh crore (35% increase)
FY 2023	Import substitution, Circular economy, Customs rationalization	Solar PLI ₹19,500 crore LGD research grant ₹242 crore	ECLGS extended with ₹50,000 crore additional cover
FY 2024	PLI results, Electronics manufacturing, EV ecosystem	PLI 2.0 for IT Hardware ₹17,000 crore	Defence allocation ₹6.21 lakh crore
FY 2025	National Manufacturing Mission, Clean Tech, Labour-intensive sectors	National Manufacturing Mission Footwear scheme targeting 22 lakh jobs	R&D allocation ₹20,000 crore
FY 2026	MSMEs as "2nd engine", Employment-linked growth, Credit enhancement	ELI Scheme ₹99,446 crore Credit guarantee ₹5 to ₹10 crore	PLI Auto ₹2,819 crore, Food Processing ₹1,200 crore

Key Insights

Strategic Evolution of Manufacturing Policy (FY2019-FY2026)

The Union Budget speeches from FY2019 to FY2026 demonstrate a clear evolution in manufacturing policy from basic infrastructure support and tax incentives to a comprehensive ecosystem approach centered on the National Manufacturing Mission. The policy framework progressed through distinct phases: initial focus on "Make in India" and sector-specific support (FY19-20), investment-driven growth with corporate tax reforms (FY20-21), the landmark introduction of PLI schemes under Atmanirbhar Bharat (FY21), implementation and scaling of PLI with defence manufacturing emphasis (FY22-24), and finally the integrated National Manufacturing Mission with MSME empowerment (FY25-26).

Production Linked Incentive (PLI) Schemes - Flagship Manufacturing Initiative

The PLI scheme emerged as the most significant manufacturing policy instrument, introduced in FY2021 with an outlay of ₹1.97 lakh crore covering 13 sectors, later expanded to 14 sectors. By March 2025, the scheme demonstrated substantial results with investments worth ₹1.76 lakh crores, production/sales of over ₹16.5 lakh crore, and employment of over 12 lakhs, with cumulative incentive disbursement of ₹21,534 crore. The 14 sectors covered include:

- Mobile Manufacturing and Specified Electronic Components
- Critical Key Starting Materials/Drug Intermediaries & Active Pharmaceutical Ingredients
- Manufacturing of Medical Devices
- Automobiles and Auto Components (FY26 allocation: ₹2,819 crore)
- Pharmaceuticals Drugs
- Specialty Steel
- Telecom & Networking Products
- Electronic/Technology Products (PLI 2.0 for IT Hardware: ₹17,000 crore)
- White Goods (ACs and LEDs)
- Food Products (FY26 allocation: ₹1,200 crore)
- Textile Products: MMF segment and technical textiles
- High efficiency solar PV modules (additional allocation: ₹19,500 crore)
- Advanced Chemistry Cell (ACC) Battery
- Drones and Drone Components

Capital Expenditure - Infrastructure-Led Manufacturing Growth

Capital expenditure emerged as a critical enabler of manufacturing competitiveness, showing unprecedented growth trajectory. From ₹4.12 lakh crore in FY21, it increased to ₹5.54 lakh crore in FY22 (34% increase), further to ₹7.5 lakh crore in FY23 (35% increase), and reached ₹11,111 crore in FY25 (3.4% of GDP). This infrastructure push was complemented by the National Infrastructure Pipeline, which expanded from 217 projects to 7,400 projects, creating multiplier effects on manufacturing through improved logistics, connectivity, and reduced cost of doing business.

Clean Tech Manufacturing - Sustainability as Core Strategy

The National Manufacturing Mission introduced in FY2025 placed special emphasis on **Clean Tech manufacturing** to improve domestic value addition and build ecosystem for critical technologies. This strategic focus aligned with India's net-zero 2070 commitment and covered:

- Solar PV cells (additional PLI allocation: ₹19,500 crore for high efficiency modules targeting 280 GW installed capacity by 2030)
- EV batteries, motors and controllers (FAME-II scheme: ₹10,000 crore for 3 years)
- Electrolyzers for green hydrogen production
- Wind turbines for renewable energy generation
- Very high voltage transmission equipment for grid modernization
- Grid scale batteries for energy storage

MSME Sector - From Support to "2nd Engine" of Growth

The policy framing of MSMEs evolved significantly from compliance relief measures to positioning them as the **"2nd engine" of economic growth** in FY2026. Key policy interventions included:

- Classification criteria enhancement: Investment and turnover limits increased to 2.5 and 2 times respectively
- Credit guarantee enhancement: From ₹5 crore to ₹10 crore for Micro and Small Enterprises, projected to enable additional credit of ₹1.5 lakh crore in next 5 years
- Startup credit guarantee: Enhanced from ₹10 crore to ₹20 crore
- Credit cards for micro enterprises: ₹5 lakh limit, 10 lakh cards in first year
- ECLGS extension: Guarantee cover expanded by ₹50,000 crore to total cover of ₹5 lakh crore
- RAMP programme: Outlay of ₹6,000 crore over 5 years

Employment-Linked Manufacturing Growth

Employment generation emerged as an explicit manufacturing policy objective, particularly in FY2025-26. The **Employment Linked Incentive (ELI) Scheme** with ₹99,446 crore outlay aimed to incentivize creation of more than 3.5 crore jobs over 2 years, with 1.92 crore beneficiaries as first-timers. The scheme provided extended four-year benefits specifically for manufacturing sector employers, directly linking manufacturing growth with employment creation. Labour-intensive sector initiatives included:

- Footwear & Leather focus scheme targeting 22 lakh jobs, ₹4 lakh crore turnover, and ₹1.1 lakh crore exports
- National Action Plan for Toys to make India a global hub
- Textiles sector allocation increased from ₹3,579.61 crore (RE 2022-23) to ₹4,389.34 crore (BE 2023-24)

Defence Manufacturing - Atmanirbhar Push

Defence manufacturing self-reliance witnessed unprecedented policy support with progressive budget increases. Defence capital outlay increased from 18.75% in FY21 to ₹1.52 lakh crore in FY22, and further to ₹6.21 lakh crore total defence budget in FY24. Key policy measures included:

- Domestic capital procurement target: **68% of Capital Acquisition Budget (₹84,598 crore) in FY22**
- R&D allocation: **25% of defence R&D budget** earmarked for private industry and startups
- Industry-led Design & Development: **18 major platforms identified** including Hypersonic Glide Vehicle, Directed Energy Weapons, Light Weight Tank
- Positive Indigenisation Lists: **3,738 items notified, 2,786 items indigenised by February 2023**
- FDI liberalization: **74% FDI under automatic route, up to 100% by Government Route**

Electronics Manufacturing - Digital Manufacturing Hub

Electronics sector witnessed transformational growth with sixfold rise in production and eightfold surge in exports over 11 years, with electronics value addition jumping from 30% to 70%, targeting 90% by FY27. Production crossed **105 billion USD (about ₹9 lakh crore)**. Key policy instruments included:

- PLI for Mobile Manufacturing showing substantial investment commitments
- PLI 2.0 for IT Hardware: **₹17,000 crore outlay** covering laptops, tablets, all-in-one PCs, servers, expecting incremental production of **₹3.35 lakh crore**
- SPECS Scheme: **25% incentive on capital expenditure**, approved investment of **₹12,638 crore**
- Tax certainty measures: Presumptive taxation regime and safe harbour provisions for non-residents supporting electronics manufacturing

Research, Development and Innovation Infrastructure

R&D emerged as a critical manufacturing enabler with significant budget allocation of **₹20,000 crore** for private sector driven R&D in FY2025-26. Supporting initiatives included:

- PM Research Fellowship: **10,000 fellowships** for technological research in IITs and IISc with enhanced financial support
- Deep Tech Fund of Funds to catalyze next generation startups
- Atal Tinkering Labs: **50,000 labs in Government schools over 5 years**
- National Centres of Excellence: **5 centres for skilling** with global expertise for "Make for India, Make for the World" manufacturing
- Lab Grown Diamonds: Research grant of **₹242 crore over 5 years to IIT Madras**

Tax Reforms and Incentives for Manufacturing Competitiveness

Tax policy emerged as a critical manufacturing enabler with progressive reforms:

- Corporate tax rate for new manufacturing companies: Reduced to **15%**, among the lowest in the world
- Existing companies' rate: Brought down to **22%**
- Manufacturing co-operatives: **15% concessional tax** for new co-operative

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