

Moving Manufacturing From China to India



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There are two ways to move production from China to India: move your sourcing to Indian factories, or set up your own plant. Trade data shows India has export-grade makers for metal parts, electronics assembly, cotton textiles, leather and craft goods, but not yet for machine tools or chips.

The Short Version

- Engineering goods are India's largest export group, 27.7% of exports in FY2025–26, and India is the top supplier of iron and steel castings to the US.
- Smartphones were India's single largest export product in 2025, and India supplied 42.3% of US smartphone imports.
- ECTA gives 0% on every tariff line into Australia from 1 January 2026, but only with a certificate of origin on each shipment.
- Compare landed cost, not unit price, and at small volumes India is often not cheaper at all.
- Most brands move their buying, not a factory, and that can start with one order.

China earned the "Factory of the World" tag honestly, and it still holds it. Shenzhen, Guangzhou and Qingdao were built on making things, and for consumer electronics, clothing and machinery the supply chains there are still the deepest anywhere. So why do I keep getting the same question from brands – how do we move out?

Part of it is politics and tariffs. Part of it is the lesson of 2020, when one country's shutdown emptied everyone's shelves. Whatever your reason, this post covers two ways of doing it. The first is moving your sourcing, which means buying from Indian factories instead of Chinese ones. The second is

moving your factory, which means setting up your own plant here. Most of you are the first kind, so I'll flag where the advice splits.

	Move your sourcing	Move your factory
What it means	Buy from Indian factories instead of Chinese ones	Set up your own plant in India
Incentives	The ones your supplier already gets	PLI and state schemes are aimed at you
Time to settle	Can start with one order	About four years before costs fall, in my experience
Steps below	1, 2, 4 and 5	All five

One rule before we start. Every number in this post has a source and a date, because a lot of what's written about "China plus one" is wishful. Where I couldn't find a source, I've said so.

1. Reasons to Move Your Manufacturing From China to India

What India Actually Makes at Scale

Here's the thing most China-plus-one articles get backwards. They treat India as the textiles country with weak engineering. The trade data says the opposite. Engineering goods are India's largest export group at US\$122.4 billion in FY2025–26, or 27.7% of everything the country ships abroad (EEPC India, from DGCI&S data). India is the number one supplier of iron and steel castings to the US, with 42.8% of that market in 2025, and number two to the EU. It is a top-four supplier to the EU of gears, bearings, seamless tubes and generating sets (UN Comtrade, importer-reported, 2025).

Electronics is counted separately, and it's the China-plus-one story that worked. Smartphones were India's single largest export product in 2025 at US\$30.1 billion (PIB and MeitY, 11 March 2026), and India supplied 42.3% of America's smartphone imports that year. In 2019 the figure was US\$74 million (UN Comtrade). Airbus says it buys over US\$1.6 billion a year of components and services from India (airbus.com, read September 2026).

Then the older strengths – cotton, craft and named clusters. India grew 23.8 million bales of cotton in 2025/26, second only to China (USDA, April 2026), and it grows most of the world's organic cotton, about 62% by our arithmetic on Textile Exchange's 2025 report. It holds 27.8% of all GOTS-certified facilities in the world (GOTS Annual Report 2025).

So if your product is a metal part made to drawing, a phone or a phone part, a cotton garment with a certification story, or anything a craft cluster does, India has export-grade makers for it. If it's a machine tool, a semiconductor or a high-end instrument, it doesn't yet. About 59% of India's machine tools are imported (IMTMA via IPF Online, September 2025), and India's share of chip and computer imports into the US, UK, Australia and the EU is 0.3% or less (UN Comtrade, 2025).

Government Incentives

GST replaced a patchwork of state and central taxes in July 2017, and for an exporter it means one registration and zero-rated exports. Make in India and the production-linked incentive schemes came next. I won't quote a rupee figure for the PLI outlays because I can't source a current one, but you can see the result in the smartphone numbers above. The smartphone PLI ran its final year in FY2025–26 (Business Standard, April 2026, reported).

One honest note. Incentives are aimed at people who set up plants, not at people who buy from them. If you're moving your sourcing then the incentive that matters is the one your supplier already gets, and whether

their quote assumes it. MOQ, pricing and payment explains the rebates inside an Indian quote.

Labour Costs Without a Made-Up Number

The original version of this post gave a monthly wage range. I've removed it, because I couldn't find a source that compares Indian and Chinese factory wages like for like, and every "20 to 30% cheaper" line I've read traces back to another blog. What I can say from working here is that labour is available near both big cities and small towns, and that labour-heavy work like stitching, hand finishing and assembly is where India's cost works. Where the process is capital-heavy, the machine sets the cost, not the wage.

Two things to know. At small volumes India is often not cheaper at all. UK importers on trade forums say that below a few hundred units, simple items cost less bought at home once freight, duty and your own time are counted. And the average Indian apparel factory has 131 workers, with export units at 600 to 800 (The Tribune, reported). Bangladesh runs bigger. For high-volume basics that matters.

A Home Market in Its Own Right

This one holds up. If you set up a plant, India is a huge market on its own, and even a small slice of it is a lot of customers. Which brings me to a distinction that matters more than any incentive.

There are two kinds of Indian factory. One exports everything it makes to large brands and has done for years. The other sells at home and is starting to export. They're different experiences, and most of the horror stories you'll read online come from the second kind (buyers on forums, four voices, 2019 to 2026). Smaller upstarts can be just as good, but checking is what tells them apart.



Free Trade Deals and Their Dates

This section used to be about politics. I've replaced it with the thing that has actually changed for buyers since 2022, which is duty. Every one of these rates needs the origin paper, and proof of origin explained covers which one.

- **Australia.** ECTA gives 0% on every tariff line from 1 January 2026, but only with a certificate of origin on each shipment. No certificate, no preference (ABF). [Australia trade page](#).
- **UK.** CETA came into force on 15 July 2026 with zero duty on Indian apparel (trade press, July 2026, reported). [UK trade page](#).
- **New Zealand.** The FTA took effect on 20 October 2026. An apparel container landed on the 19th paid up to 10%. From the 20th, nothing, with a valid certificate of origin. [New Zealand trade page](#).
- **EU.** The FTA was concluded on 27 January 2026 but is not yet in force. Ratification is expected around mid-2027. [EU trade page](#).

- **US.** From 24 July 2026 Indian goods pay the normal rate plus 10% under a Section 301 action. The "50%" and "18%" numbers you'll still see quoted are history. [US trade page](#).

One caution, because I promised honesty. Nearly four years into ECTA, India's share of Australia's non-fuel imports went from 1.93% to 1.97% (ABS, 2022 to 2025, our analysis). Zero duty didn't move orders on its own. Finding and trusting suppliers did, and still does.

2. Moving Manufacturing From China to India Step by Step

Step 1 - Study the Manufacturing Sector in India

Before you commit, work out whether India can make your product at export grade. The categories above are your shortlist: metal parts to drawing, electronics assembly, cotton and organic textiles, leather, home textiles, rugs, jute packaging, ceramics and the craft clusters. [What India is good at making](#) goes category by category. Where you're competing with Bangladesh on plain cotton basics, be careful. In 2025 customs data an Indian cotton T-shirt was declared 12 to 27% dearer per piece than a Bangladeshi one in the EU, UK and US, though 30 to 50% cheaper than a Vietnamese one, and cheaper than Bangladesh into Australia (Eurostat, HMRC, UN Comtrade, 2025).

Then find the cluster. India's export production sits in named towns, and the government lists 42 of them as Towns of Export Excellence: Tiruppur for knitwear, Moradabad for handicrafts, Kanpur for leather and so on (DGFT, Foreign Trade Policy Appendix 1B). In a cluster the dyeing, stitching, trims and finishing sit within a few kilometres of each other. [Where production sits](#) has the map, and [China vs India factory cities](#) pairs each Indian cluster with its Chinese counterpart.

For factory-builders, one more thing. Do know that you'll find entrepreneurs willing to set up a plant specifically for your product, often as a joint venture. Treat that as a supplier relationship with extra paperwork, not as a shortcut.

Step 2 - Calculate Costs

Whether you're moving sourcing or a whole plant, put the comparison on paper before you move anything. For the sourcing path, the number that matters is landed cost, never unit price. Add freight, duty at your destination, origin charges at the Indian port (which can add a real sum per box even on an FOB quote, as exporters and buyers on forums put it in 2026, so check the current charges with your forwarder), inspection, and your own time.

For the factory path, add -

- The labour difference and what it does to your total cost
- Freight for your machinery, which goes by sea, plus duty and the rules on importing used machinery, which a customs broker should walk you through before you ship
- New suppliers or new machinery after the move
- Rent, paperwork and legal fees
- Taxes in India against what you paid in China

Then be realistic about time. In my own experience, when you manufacture at scale it takes about four years before spending settles and costs start to fall. That's my number from my own work, not a study, so weigh it as such. If your business can't carry four years of transition then buy from Indian factories instead of building one. That's no lesser option, and it's what most brands actually do.

Step 3 - Prepare for Relocating Your Factory

(Skip this step if you're moving sourcing, not a plant.)

Start with land. You can buy, or lease from the state's industrial development corporation, usually for 99 years and normally extendable. Costs vary with the city, the plot and what you want on it, and central plots in most Indian cities are gone, so expect the outskirts. If your machinery has particular power needs then confirm the supply before you sign, not after.

Machinery travels by sea, in containers or as break-bulk. Get a forwarder who has moved plant before and insures the move properly.

The cities I'd look at first are the ones I know from my own work and travels. This is my list, not a ranking, and there's no data behind the order -

- Nashik
- Pune (Chakan, Ranjangaon, Talegaon)
- Aurangabad
- Delhi (Noida)
- Manesar
- Surat
- Ahmedabad
- Indore
- Vadodara
- Kolkata
- Hospet
- Sriperumbudur
- Tiruppur
- Kalinganagar

- Paradeep

Hire before you move. Talent is thinner in smaller towns, and you may need to bring managers from the bigger cities. Try to have half your usual headcount in place before the plant opens and keep hiring after.

Step 4 - Source Well

This is the step for everyone. If you don't have a factory of your own, you need a supplier, and there are several ways to find one.

The directories come first because they come up first on Google: IndiaMART, TradeIndia, ExportersIndia. Use them, but use them for what they are. IndiaMART is a lead-selling directory, not a marketplace. The listed price is usually stale or set to draw an enquiry, the seller you reach is more often a trader than the factory, and its buyer payment protection excludes foreign buyers (buyers and sellers on forums, 2023 to 2026, and IndiaMART's own FAQ). A trader is a normal business model, and large retailers use them too. Just know who makes your goods and who answers for quality. [Finding suppliers in India](#) goes deeper.

Many of the best makers aren't on any directory. They win business at trade fairs and by reference (buyers and makers on forums, 2021 to 2026), so check the [fairs calendar](#) and the export promotion council for your product. Expect higher minimums as a new client, and expect an advance before sampling even starts.

Then verify, for free, before you send money. India's official records are more open than most countries': the tax registry shows filing history, the trade ministry shows export registration and council membership, and the same legal name should sit on all of them and on the bank account. [How to check an Indian supplier](#) walks through each one.

If you're new to India and don't want to run this yourself, [SourcingSync](#) does the finding, the checks and the inspections for you. That's the paid side of what I do. The knowledge on this site stays free.

Step 5 - Get the Final Paperwork Ready and Start Manufacturing

For the factory path - you'll have signed plenty by now, but ask your lawyer for the last-mile list before you open. Licences, registrations for your product, tax filings. Keep the law firm on retainer and speak to them monthly.

For both paths, sort your shipping before the first order, not after. The global couriers are all here, and so are good local forwarders. Two India-specific points from 2026 forum threads. Booking sea space out of India is slower than out of China, with rates released days before sailing and agents taking weeks to confirm, so build that into your calendar. How the container then gets to you, hubs and transit ranges included, is in [sea freight routes](#). And [ISPM-15](#) pallets are not standard here, so write palletised, stamped packing into the purchase order or your container arrives floor-loaded. [Exporting from India](#) covers Incoterms, ports and the documents.

Your lawyer and accountant can also help you claim subsidies once you're settled, which is the one place where being a plant owner beats being a buyer.

3. Wrapping Up

India makes sense as a China alternative for the right product, and the trade data tells you which products those are. It's engineering parts, electronics assembly, cotton with a story, leather, home textiles and the craft clusters. It isn't yet machine tools or chips.

Most brands that "move to India" don't move a factory. They move their buying. That path needs a good cluster, a verified maker and an inspection before every shipment, and it can start with one order. If that's you, start with [why India, and when not](#), the [China plus one guide](#), then the [full India playbook](#).

If you need help on the ground, you know where to find me.