Quote by Kanishk Maheshwari, Co-Founder & Managing Director, Primus Partners

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# Budget 2026 an opportunity to convert FTAs to real export gains in textiles, say experts

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**Synopsis**

**Union Budget 2026-27 expectation: The textile & apparel sector proposes leveraging FTAs to convert tariff advantages into orders, realisations, and long-term buyer commitments.**

India's textile and apparel sector, the second-largest employment-generating sector in the country, is seeking strong government support in the Union Budget 2026-27, to be presented by Finance Minister Nirmala Sitharaman on February 1, 2026. Industry experts say that the upcoming Budget presents a crucial opportunity to convert India's free trade agreements (FTAs) into real export gains for the sector.

The textile and apparel sector contributes 2.3% to the country's gross domestic product (GDP), 13% to industrial production, and 12% to overall exports, employing more than 45 million people directly, including women and the rural population. Moreover, nearly 80% of its capacity is spread across MSME clusters in the country. With its market size projected to reach $350 billion by 2030 from the current $174 billion, it produces about 22,000 million pieces of garments per year.

Industry experts say that the Budget 2026 is an excellent opportunity to turn FTAs into tangible export benefits for the sector. "Preferential access alone is not enough—monetisation depends on execution. Low FTA utilisation is largely driven by complex rules of origin, compliance costs, and supply-chain gaps," says Mukesh Kansal, Chairman, CTA Apparels.

He asserts that the textile industry has a clear path ahead. "It should imply moving from signing FTAs to monetising them—turning tariff advantages into orders, realisations, and long-term buyer commitments. Now that the India-EFTA Trade and Economic Partnership Agreement (TEPA) is in force and investment intent is aligned with manufacturing expansion, the Budget is well-timed to create the 'execution rails' that convert FTA access into measurable export growth," he highlights.

Sanjay Gandhi, Group CFO of Pearl Global Industries, agrees, stating that progress on FTAs with key markets, such as the UK and the European Union, will serve as a meaningful catalyst. “It will help address long-standing duty disadvantages and enable Indian exporters to compete on a more level playing field. Our expectation is for policies that strengthen India’s competitiveness in global apparel trade. We also see value in policy continuity around export-linked schemes, faster duty remission and sustained support for integrated textile infrastructure.”

In fact, given the significant presence of MSMEs in the sector, businesses in the industry call for policy regulations, financial redressals and export enablement to enhance their trade. Rohan Gupta, Managing Director & Chief Financial Officer, Gargee Designer’s, says that the entire MSME community of textiles needs a focused set of policies mapped to meet their requirements rather than generic support. “One of the most burning demands is the requirement for relief on the cost of input. Quality material, dyes, trims and specialised imported machines are the requisites for quality cloth production. Synchronisation of taxes and relief on this account would be of immense use not only from the viewpoint of competitiveness but also to maintain international quality by MSMEs,” he says.

Gupta also says greater emphasis needs to be placed on skill development, which is essential for achieving sustainable growth, along with increased investment in advanced tailoring institutions, pattern-making courses and up-skilling artisans through technology adoption to align India’s craftsmanship with luxury market demands. “Technology support in areas like digital designing software, inventory management systems, and production improvement solutions could also allow MSMEs to expand sustainably without compromising on craftsmanship quality,” he adds.

Experts suggest that the textile sector needs to move beyond volume-led incentives for better growth. “The focus must shift to man-made fibre and technical textiles, faster refunds, and working-capital support for MSMEs. Incentivising value-added manufacturing and R&D-led capacity building can help Indian textiles move from competition based on cost to capability-led growth,” Kanishk Maheshwari, Co-founder and Managing Director, Primus Partners states.

With India being the sixth-largest exporter of textiles and apparel in the world, specific provisions in the Union Budget 2026-27 to incentivise MSMEs in the sector can help elevate its stature further as a global textiles hub.