



Unlocking \$25+ Billion Exports in India's Hand & Power Tools Sector

Forging India's Future

Niti Aayog

April 22, 2025

Introduction

The **tools industry**—comprising **hand** and **power tools**—is a **foundational pillar** of the global manufacturing ecosystem, enabling production across multiple sectors such as construction, automotive, electronics, and infrastructure. In **April 2025**, **NITI Aayog** and the **Foundation for Economic Development** jointly published the report “**Unlocking \$25+ Billion Exports: India's Hand & Power Tools Sector**”, laying out a **comprehensive roadmap to scale up** India's global exports from the **current \$1 billion** to **over \$25 billion** by **2035**.

India's current export footprint in this sector remains modest, yet it possesses **key strengths**—**low-cost labor**, **strategic trade positioning**, and a **growing manufacturing base**—that offer significant potential to transform the nation into a competitive global player.

This report is both a clarion call and a roadmap, urging policymakers, industry leaders, and stakeholders to seize a transformative export opportunity worth over \$25 billion in the next decade.

Overview

- **Global Market Size (2022): ~\$100 billion**
 - Hand Tools: \$34 billion
 - Power Tools: \$63 billion
- **Projected Market Size (2035): \$190 billion (CAGR: 53%)**
 - Hand Tools: \$60 billion
 - Power Tools: \$134 billion
- **India's exports in 2025:**
 - Hand Tools: \$600 million (1.8% global share)
 - Power Tools: \$425 million (0.7% global share)

Targets by 2035 for India:

- Hand Tools: 25% market share → \$15 billion exports

- Power Tools: 10% market share → \$12 billion exports
- Total Export Opportunity: Over \$25 billion
- Employment Generation: 3.5 million direct and indirect jobs

India's Current Export Profile

Hand Tools

India's hand tools sector has developed a **robust MSME ecosystem** with key manufacturing clusters in **Punjab** (Jalandhar, Ludhiana), **Maharashtra** (Mumbai, Nagpur), and **Rajasthan** (Nagaur). **Common exports** include wrenches, pliers, screwdrivers, and hand saws. The sector's success is linked to **labor-intensive processes**, **localized supply chains**, and **historical evolution** post-Independence.

Power Tools

The country currently lacks a comprehensive electronic manufacturing ecosystem for power tools, which require precision components like motors and batteries.

Export Destinations and Trade Opportunities

- **Top Importers:** USA and European Union account for 55–60% of global imports.
- **Tariff Advantage:** U.S. imposed 7.5–25% additional tariffs on Chinese tools, creating new opportunities for alternative suppliers like India.

Although India's exports have also grown by 24% year-on-year, there remains considerable untapped potential for further expansion.

Existing Government Support Mechanisms

- **Remission of Duties and Taxes on Exported Products (RoDTEP):** RoDTEP provides **rebates to exporters for taxes and duties** on exported goods to help make Indian exporters more competitive in international markets. Under this scheme, **hand tools exporters** get rebates of **1.1%** as a percentage of their **Free on Board (FOB) value**, and power tools get rebates of **0.9%** as a percentage of their FOB value.
- **Duty Drawback Scheme: Duty Free Import Authorisation (DFIA)** allows **duty-free import of inputs** but on a **post export basis only**. Inputs imported under this scheme are **exempted of the Basic Customs Duty only**. To qualify, the inputs must be listed under the **Standard Input Output Norms (SION)**, and a minimum value addition of **20%** must be achieved. Under this scheme, manufacturers of **hand and power tools** are eligible for duty drawbacks of **1.5% to 2%** on their input costs, as per the Duty drawback rates, 2023.

Strategic Policy Recommendations

1. Create World-Class Clusters for Hand Tools

- **Goal:** 3–4 clusters spanning ~4000 acres by 2035
- **Estimated Investment:** ₹12,000 crore (Government) + ₹45,000 crore (Industry)
- **Cluster Features:**
 - Plug-and-play industrial infrastructure
 - Worker housing, R&D centers, testing labs
 - Convention facilities, 24x7 power and water supply

- **Governance Model:** Public-Private Partnership (PPP) via a Special Purpose Vehicle (SPV), state Cluster Authority, and private developers

To build world class clusters, it is important to invest in infrastructure such as effluent treatment plants, guaranteed 24x7 power supply, and plug and play factories.

2. Structural Reforms

- Reduce import duties and rationalize Quality Control Orders (QCOs).
- Reform Export Promotion Capital Goods (EPCG) scheme to ease compliance.
- Align labor laws with global standards (e.g., 300 hours quarterly overtime).
- Liberalize Floor Area Ratio (FAR) and ground coverage norms.
- Ensure 24x7 low-cost electricity and improve logistics.
- Encourage domestic R&D and ease technology transfer.

If factor market reforms are implemented, no additional fiscal incentive will be required from the government.

3. Bridge Support (Contingent)

If reforms are delayed, **bridge support** worth **₹5,800 crore over 5 years** is recommended.

- **Hand Tools: ₹3,450 crore**
 - Logistics: ₹450 crore
 - Interest Subvention: ₹700 crore
 - Competitiveness Incentive: ₹700 crore
 - Capital Subsidy: ₹1,600 crore
- **Power Tools: ₹2,230 crore**
 - Interest Subvention: ₹430 crore
 - Competitiveness Incentive: ₹1,500 crore
 - Capital Subsidy: ₹300 crore

Support should be treated as a strategic investment, not a subsidy, with a projected return of 2–3 times in tax revenues.

Conclusion

India stands at a pivotal juncture in its industrial transformation. The tools sector, though currently underrepresented in global trade, offers a rare and time-sensitive opportunity to reposition India as a reliable manufacturing alternative to China. The roadmap presented by NITI Aayog focuses on leveraging India's inherent strengths—abundant labor, a rising manufacturing base, and sectoral synergies—while urgently addressing its structural weaknesses.

References

https://www.niti.gov.in/sites/default/files/2025-04/India_Hand_Power_Tools_Sector_Report.pdf

Santosh Kumar | Sarla Meena | Rishita Aggarwal