



Driving Telangana Forward: GST Powers Industry and Artisans

14 October, 2025

Key Takeaways

- Telangana processes ~25% of its agricultural output through 4,000+ factories and 80,000 informal units, with processed foods making up 50% of agri-export value (2023–24); **GST cuts lower prices by 6-7%.**
- The state hosts 800+ life sciences firms, generating 4.5 lakh jobs since 2014, contributing 50% of India's bulk drug exports; **GST cuts reduce drug costs by 6-7%.**
- In 2024–25, exports of aircraft, spacecraft, and related parts accounted for nearly 31% of Telangana's total exports; **GST and IGST cuts strengthen competitiveness.**
- Telangana exported ₹177 crore in auto components and ₹79 crore in cars (2023–24); **GST cuts enhance competitiveness, reduce production costs.**
- **GST cuts on GI-tagged handicrafts and toys translate to ~6% price drop** which boosts sales, artisan incomes, and expands global market reach.

Introduction

In June 2014, Telangana emerged as India's newest and youngest state following its separation from Andhra Pradesh. Strategically located on the uplands of the Deccan plateau and often described as the "*South of the North and North of the South*", Telangana has long been a crossroads of languages, cultures, and traditions. It is known for its cuisine, arts, handlooms, and handicrafts. Economically, the state hosts a vital food processing industry, a nationally significant pharmaceutical hub, and its capital city Hyderabad is a leading centre for aerospace and defence manufacturing.

Notably, **the recent GST reforms further strengthen Telangana's growth momentum.** By easing the tax burden on essential goods and services, these reforms stimulate demand, enhance competitiveness, and open new avenues for employment. They directly benefit the state's key sectors- from food processing and pharmaceuticals to manufacturing and exports- aligning seamlessly with Telangana's vision for inclusive and sustainable development.

Food Processing Industry

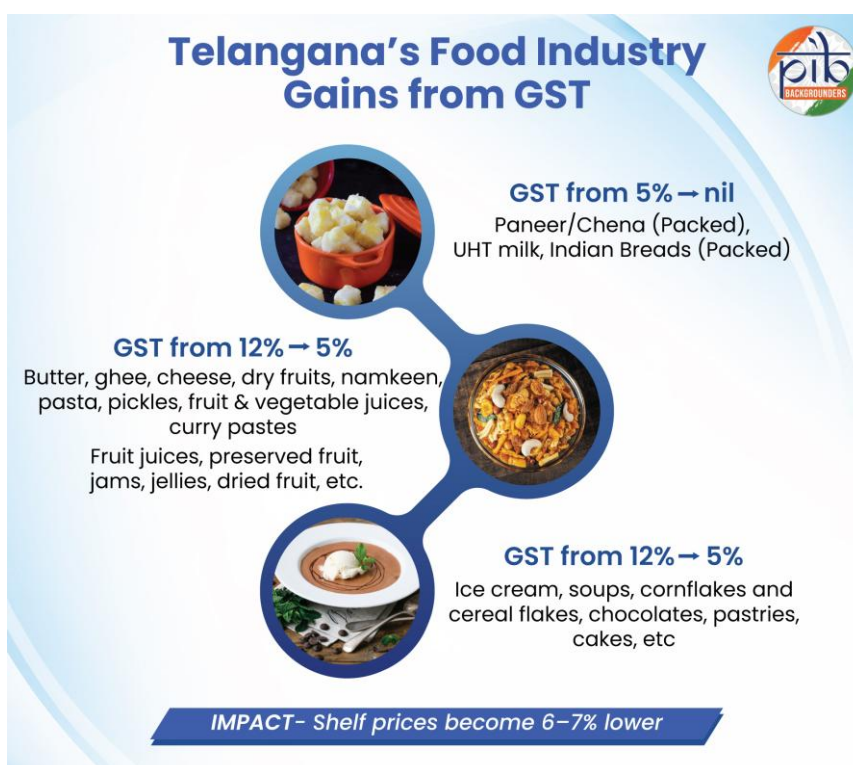
Telangana's food processing sector, largely powered by MSMEs, plays a pivotal role in adding value to agricultural produce, creating jobs, and strengthening the rural economy.

The industry processes ~25% of the state's agricultural output, making it a vital link between farms and markets.

The sector is geographically diverse, with major clusters spread across the state- **snacks and savories** in Hyderabad, Medak, Medchal, Malkajgiri and Warangal Urban; **spice and agro processing** in Nizamabad; and **banana and spice-based units** in Khammam. **Telangana is home to ~4,000 factories and over 80,000 informal enterprises, accounting for ~10% of India's total food processing units.** Its market reach spans the domestic snack market, retailers, D2C brands, airlines, and supermarkets. On the export front, **processed foods formed over 50% of the state's agricultural and allied exports** (by value) in 2023-24, shipped to destinations including the USA, Germany, France, Spain, and Russia.

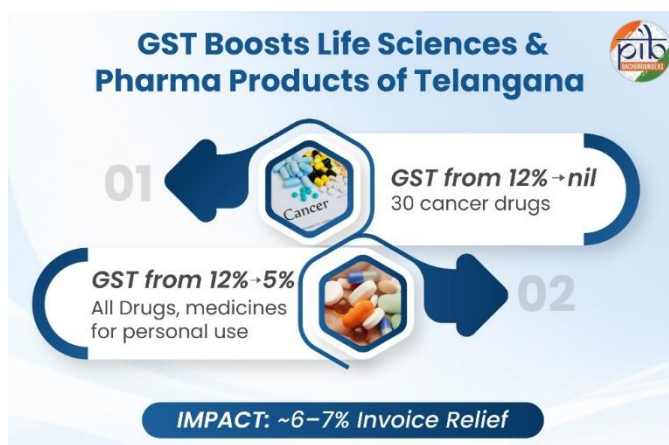
The recent GST reforms have further enhanced the sector's competitiveness by lowering taxes across key product categories, including **GI-tagged products such as Banaganapalle Mangoes and Tander Redgram.**

Other items on which GST has been reduced include paneer/chena (packed), UHT milk, Indian breads (packed), butter, ghee, cheese, dry fruits, namkeen, pasta, fruit and vegetable juices, curry pastes, preserved fruit, jams, jellies, ice cream, soups, cornflakes and cereal flakes, chocolates, pastries, and cakes.



These rate cuts reduce shelf prices by 6-7%, boost fruit-to-factory procurement during peak seasons, and make processed foods more affordable across rural and semi-urban markets. Further, the reforms stimulate consumer demand and benefit farmers, manufacturers, FMCG players, and MSME food units alike, reinforcing Telangana's position as a growing hub for agro-based industries.

Life Sciences & Pharma Industry



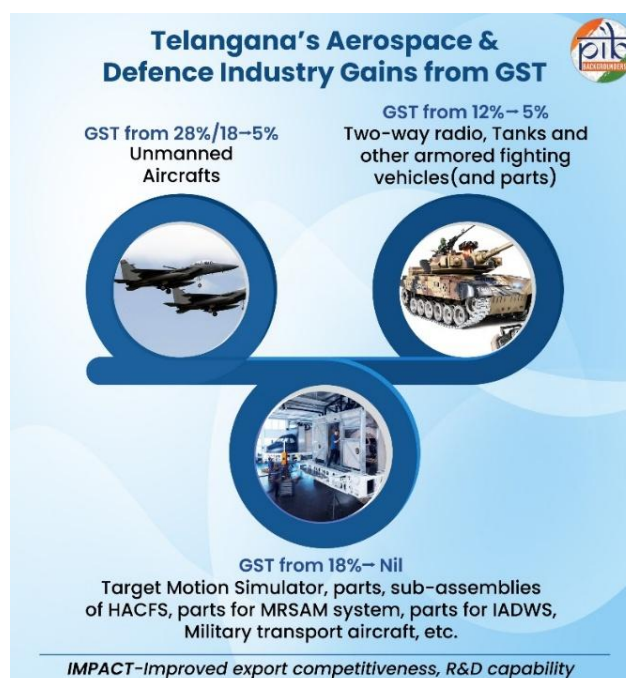
Telangana is one of India's leading pharmaceutical manufacturing hubs, with the sector contributing a large share to the state's merchandise exports. Its capital, Hyderabad, often referred to as the *"Life Sciences Capital of India"*, anchors this growth. **The state has a thriving ecosystem of 800+ life sciences companies that have collectively generated over 4.5 lakh jobs since 2014.**

Telangana's pharmaceutical network serves pan-India hospitals/clinics, and retail markets, and is home to major global and domestic players such as Dr. Reddy's Laboratories, Aurobindo Pharma, GSK, Novartis, and Shantha. **Telangana accounts for nearly 50% of India's bulk drug exports, contributes one-third of national pharma output, and commands one-fifth of total pharma exports-** underscoring its critical role in India's healthcare manufacturing value chain.

The recent GST reforms have further strengthened this sector's competitiveness and accessibility with **GST reduced from 12% to Nil on 30 cancer drugs. Additionally, GST on all drugs and medicines for personal use has been reduced from 12% to 5%. These reductions translate into an estimated 6-7% invoice relief**, making healthcare more affordable and accessible while boosting the growth and innovation of Telangana's pharmaceutical and life sciences industry.

Aerospace & Defence Industry

Hyderabad is a mature aerospace and defence manufacturing hub, hosting **over 25 large companies and 1,000+ MSMEs**. The city is home to premier research and defence establishments such as Defence Research and Development Organisation (DRDO), Defence Research and Development Laboratory (DRDL), Research Centre Imarat (RCI), Bharat Dynamics Limited (BDL), Mishra Dhatu Nigam Limited (MDN), Ordnance Factory, and Defence Metallurgical Research Laboratory (DMRL), forming a robust ecosystem supported by more than a



dozen major DRDO labs and defence PSUs.

The city's industrial ecosystem caters to **key markets**, including Indian Space Research Organisation (ISRO), which sourced 30% of the parts for the Mars Orbiter Mission, the Indian Army, paramilitary forces, DRDO, and system-level providers. Reflecting this strength, India's military hardware exports- covering destinations such as the US, France, Armenia, and over 100 other countries- have surged significantly over the last 2–3 years.

In 2024–25, exports of aircraft, spacecraft, and related parts accounted for nearly 31% of Telangana's total exports. Besides, there has been a rising domestic demand for drones across agriculture, mining, and infrastructure sectors, along with substantial defence and PSU orders.

Recent **GST rate rationalisations** further strengthen the sector's competitiveness. GST rates have been reduced for unmanned aircrafts (28%/18 → 5%), two-way radio, tanks and other armored fighting vehicles and parts (12% → 5%) and Target Motion Simulator, Parts, sub-assemblies of HACFS, parts for MRSAM system, parts for IADWS, Military transport aircraft, etc. (IGST 18% to Nil).

This tax reduction lowers manufacturing costs, enhances export competitiveness, boosts R&D capability, and supports efficient domestic procurement and budget utilisation across the aerospace and defence value chain.

Automobiles & Auto Components Industry



Automobiles & Auto Components of Telangana Get GST Kick

All auto parts irrespective of their HS code- Uniform rate **18%**

Three-Wheelers
28% to 18%

Small Cars & Motorcycles (> 350cc)- **28% → 18%**

IMPACT → Competitive pricing, reduced cost of aftermarket services

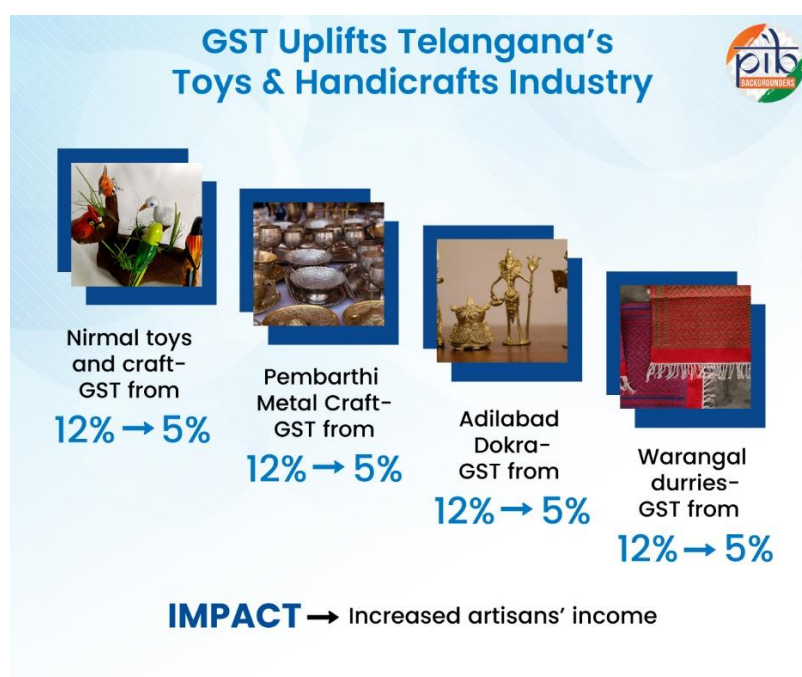
The automobiles and auto components industry has its presence **across Hyderabad and Ranga Reddy districts** in Telangana, anchored by leading players such as the Mahindra Group, Hyundai, and MRF Tyres. The sector caters to diverse markets, including OEMs, the aftermarket (spares), and pumps/electric motors.

In 2023–24, Telangana exported auto components and parts worth ₹177 crore and cars worth ₹79 crore, reflecting steady growth in both manufacturing and trade.

Recent GST reductions on auto parts, three-wheelers, and small cars and motorcycles (above 350cc) have further strengthened the ecosystem. These rate cuts benefit all stakeholders in the value chain- lowering production costs for OEMs, enhancing price competitiveness, and reducing costs for aftermarket services and consumers alike.

Toys & Handicraft

India has a long and culturally rich tradition of handcrafted toys, reflecting the country's artistic heritage and craftsmanship. With the steady expansion of the Indian economy, the toy retail industry has witnessed substantial growth over the years. Telangana, in particular, is known for its **Nirmal toys and crafts**. Additionally, it is celebrated for its diverse handicrafts and artistic traditions, passed down through generations. **Pembarthi brassware** is known for its intricate metalwork, while the **Dokra metal craft of Adilabad** showcases the region's tribal artistry through the ancient lost-wax casting technique. Similarly, **Warangal durries**, woven in the Warangal district, are known for their vibrant colors, detailed patterns, and durability.



Nirmal toys and craft

Nirmal toys and crafts are handmade dolls and figurines crafted from wood, metal, or textile materials and **received a Geographical Indication (GI) tag in 2009**. Predominantly practiced by members of the Nakashi community in Adilabad, this age-old craft involves the use of Poniki wood and a natural adhesive made from tamarind seeds, reflecting the artisans' deep-rooted traditional techniques.

The industry **employs around 50–60 families**, with sales channels spanning handicraft exhibitions, state emporia, trade fairs, and online marketplaces. With **India exporting toys worth USD 152.34 million to over 150 countries in 2023–24**, there is strong domestic and global demand potential for these uniquely crafted products.

The recent **GST rate reduction from 12% to 5%** results in an **estimated 6% decline in retail prices**, further enhancing the competitiveness of Nirmal toys in both domestic and international markets and supporting artisan livelihoods while promoting India's traditional craftsmanship.

Pembarthi Metal Craft

Pembarthi Metal Craft, a traditional handicraft is made in Jangaon district, Telangana, and **received a GI tag in 2010**. This craft is primarily practiced by craftsmen of the Vishwakarma community, with only about 100 families still engaged in preserving this tradition.

The craft finds its market across temples- adorned in many shrines across South India, and in cultural, decorative, and home-use items such as pandans, nagardans, itardans, utensils, lampshades, and plant pots. These products are sold through handicraft exhibitions, state emporia, and fairs, reflecting a blend of traditional artistry and contemporary appeal.

A GST reduction from 12% to 5%, leading to an estimated 6% decrease in retail prices, boosts sales and directly enhances artisan incomes, helping sustain and promote this heritage craft in domestic markets.

Adilabad Dokra

Adilabad Dokra, a traditional bell metal craft practiced by tribal craftsmen of the Waj community in Telangana, is created using the ancient lost-wax casting technique. This handicraft artware **received a GI tag in 2018** and continues to be sustained by around 100 families engaged in the trade.

Dokra products are marketed through local markets, fairs, state handicraft emporiums, and increasingly via online platforms, reflecting both cultural heritage and growing commercial appeal.

The recent GST reduction from 12% to 5%, resulting in an estimated 6% drop in retail prices, boosts sales and improves artisan incomes, while further promoting the preservation and growth of this traditional craft in domestic and export markets.

Warangal durries

The historic city of Warangal in southern Telangana is renowned for its handwoven cotton durries (carpets), a craft that **received a GI tag in 2018**. These intricately woven carpets are produced by weavers from the Padmashali community, who practice the craft both individually and through cooperatives, collectively **employing around 2,000 members**.

The market for Warangal durries includes brands like FabIndia, CCIC, and Golconda Handicrafts, as well as local markets, fairs, state emporiums, and online platforms such as Amazon. They are also exported to Germany, the UK, France, and other European nations, along with Japan, the US, and Canada, reflecting their international appeal.

The GST reduction from 12% to 5%, leading to an estimated 6% drop in retail prices, enhances the competitiveness of Warangal durries, revives export potential, and boosts sales, thereby improving artisan incomes and supporting the continued growth of this traditional craft.

Conclusion

GST reforms are driving Telangana's growth by lowering costs, boosting competitiveness, and expanding markets across sectors. In food processing and pharmaceuticals, reduced taxes make **products more affordable and stimulate innovation**. In aerospace, defence, and automobiles, GST cuts **lower production costs, enhance exports, and support R&D**. Traditional crafts and toys, with rates reduced to 5%, see **higher sales, increased artisan incomes, and stronger domestic and international demand**.

Overall, these reforms promote affordability, market growth, and inclusive economic development, positioning Telangana as a hub for industry, exports, and cultural heritage.

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