

Navigating Geopolitics: An Overview of India's Recent Trade Relief Framework

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Global maritime conditions are currently witnessing a disruption of historic proportions. On 28 February 2026, the effective closure of the Strait of Hormuz following joint military operations in West Asia and the subsequent blockade by the Iranian Islamic Revolutionary Guard Corps has placed approximately 20% of global oil trade and nearly one-third of global Liquefied Natural Gas (LNG) supplies at risk. For India, the implications are high and can potentially derail the manufacturing momentum built over the last decade.

Given the learnings during the 2008 financial recession and the COVID-19 pandemic, the response of the Government of India has been timely and appropriate. By deploying powers under Foreign Trade, Customs and economic laws, a resilience shield for importers and exporters has been prepared.

This update outlines these measures, the sectors they safeguard, and the downstream implications for the Indian trade given that the measures are temporary and not meant to be permanently in place. Therefore, it is important and essential that businesses re-align themselves and avail the maximum benefits as allowed in order to tide over the near and medium term.

I. Fiscal Interventions: Neutralising Cost-Push Inflation under the Customs Act, 1962

The most immediate domestic threat was an input-cost contagion. As West Asian refineries were disrupted and insurance premiums for Gulf-bound tankers spiked six-fold, the landing cost of petrochemical feedstocks which are the building blocks of Indian manufacturing threatened to turn factories and manufacturing unviable.

a. The Petrochemical & Polymer Lifeline

The Ministry of Finance issued Notification No. 12/2026-Customs on 01 April 2026 granting a complete exemption on 40 critical petrochemical and polymer products.

- The exemption covers basic feedstocks (Methanol, Toluene, Styrene), universal polymers (PVC, Polyethylene, Polypropylene), and engineering plastics (ABS, Polycarbonate, PEEK).
- India's dependency on the Hormuz route for Methanol and Styrene is nearly 85%. By exempting BCD (which previously ranged from 5% to 10%), the Central Government has effectively provided a 7-8% fiscal buffer to offset costs.
- This measure directly impacts the automotive, electronics and packaging industries. Without this intervention, the cost of PVC-based construction materials and automotive plastic components would have potentially seen a 15-20% price hike by May 2026, fuelling domestic inflation.

b. Agricultural Security

- Notification No. 13/2026-Customs dated 01 April 2026 provides a full exemption from the Agriculture Infrastructure and Development Cess (AIDC) on Ammonium Nitrate.

- As raw material shipments for fertilisers face *force majeure* declarations in the Gulf, the cost of nitrogenous fertilisers threatened to increase manifold just before the sowing season. This exemption tries to arrest the increase in prices and economic pressures on the agricultural sector.

II. Procedural Rationalization: Maritime Law and SCMTR Extensions

The logistical chaos forced many vessels and vessel operators to abandon the Gulf routes and reroute around the Cape of Good Hope, adding 12–15 days of transit times and rendering electronic filing schedules obsolete.

a. SCMTR Compliance

- The Sea Cargo Manifest and Transshipment Regulations (SCMTR) mandate precise electronic filings before arrival.
- Notification No. 31/2026-Customs (N.T.) extends transitional provisions until 30 June 2026 which allows Inland Container Depots (ICDs) and Gateway Ports to process cargo even if certain electronic messages are delayed. It prevents port-lock situations where cargo is physically present but legally unprocessed due to technical gaps.

III. Export Facilitation: Preserving Global Competitiveness

For Indian exporters, the current situation presents a double-jeopardy: higher input costs at home and higher shipping costs to reach global buyers.

a. Restoration of the RoDTEP Scheme

- The Remission of Duties and Taxes on Exported Products (RoDTEP) is the backbone of India's WTO-compliant export incentives.
- In February 2026, fiscal constraints had led to a 50% restriction on RoDTEP rates. Recognizing the gravity of the West Asia crisis, the DGFT issued Notification No. 66/2025-26 to fully restore the rates, and Notification No. 74/2025-26 to extend the scheme until 30 September 2026.
- The rationale being that exporters cannot absorb both, i.e., a hike in container rates and a 50% cut in duty remissions. Restoring these rates is aimed to provide the liquidity needed to keep export contracts alive.

b. The Gems & Jewellery Safety Valve

- This sector is particularly sensitive to logistical timelines due to the high value of consignments and the reliance on air-freight corridors over the Middle East.
- Public Notice No. 54/2025-26 dated 30 March 2026 grants an automatic 30-day extension for re-exporting diamonds sent for certification and for the re-import of jewellery from overseas exhibitions.

c. Export Obligation (EO) Extensions for AA and EPCG holders

- Under the Advance Authorisation (AA) and Export Promotion Capital Goods (EPCG) schemes, thousands of exporters are legally bound to export a certain value of goods within a fixed timeframe.
- By way of Public Notice No. 51/2025-2026 dated 06 March 2026, the DGFT has granted a blanket extension for EO fulfilment until 31 August 2026, for all authorisations expiring between March and May 2026.

IV. The Financial Safety Net: RELIEF Scheme and RBI Directions

Beyond trade policy and customs, the Central Government has addressed the 'Credit Crunch' that invariably follows geopolitical instability.

- a. **The RELIEF Scheme:** The Resilience & Logistics Intervention for Export Facilitation (RELIEF) scheme, with an initial corpus of INR 4.97 billion provides for better risk management.
- It provides 100% risk coverage for shipments made during the initial phase of the conflict (Feb-March 2026) and 95% coverage for ongoing shipments.
 - Most significantly, it offers to reimburse 50% of the extraordinary freight and insurance costs (up to INR 5 million per exporter) for uninsured MSMEs. This directly attempts to mitigate the unforeseen cost escalations being faced by small exporters.

V. SEZ to DTA clearances incentivised

- a. In addition, and although stated initially in the Union Budget on 01 February 2026, the Central Government has vide Notification No. 11/2026-Cus dated 31 March 2026 has granted exemptions from BCD on specified goods (*majorly meant for petrochemicals and related products*) when manufactured in a SEZ and cleared to a DTA.
- b. The exemption is available for a period of one (1) year and is subject to eligibility and reporting conditions.
- c. The downstream impact is twofold: (i) it stabilises the domestic supply chain by incentivizing SEZ units to divert their 'exportable' surplus to the Indian market during this blockade, and (ii) it prevents a 'duty inversion' where raw materials are duty-free for importers but finished goods from SEZs remain taxed. For sectors like pharmaceuticals and plastics, this provides much-needed procurement flexibility, ensuring that the geopolitical constraints do not paralyse India's internal industrial clusters.

VI. Conclusion: Toward Strategic Autonomy in Trade

The response of the Government of India is timely and provides targeted breathers to importers and exporters. The situation is constantly evolving and the reliefs / measures will be required to be appropriately updated or revised as may be needed. Exporters and importers should also evaluate their supply chains and diversification options alongside the long-term development of India-Middle East-Europe Economic Corridor (IMEC) and I2U2 initiatives [I2U2 refers to the strategic partnership launched in October 2021 between India, Israel, United Arab Emirates (UAE), and the United States].

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