

India-US FTA: De-risking India; Re-rating markets

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The combination of landmark FTAs and tariff cut on India's exports to US to 18% from 50% amid higher-than-expected concessions especially those related to Section 232 of Trade Expansion Act of US sets stage for turning point for both for growth as well as equity markets. As India becomes more competitive than key peers in US market, the external risk premium for India is compressing enhancing investment appetite for foreign investors. Immediate implementation of India-US trade deal implies a ~40bps FY27E nominal GDP lift, with a combined ~60-65bps medium-term boost as the EU and the US agreements scale up materially from CY2027. Sector-wise, direct **gains are concentrated in Textiles, Generic Pharma, Auto components, gems & jewellery, Chemicals, Aviation, Gas and Logistics.**

Favored stocks: Gokaldas Exports, Arvind, Pearl Global, KPR Mill, Aurobindo Pharma, Dr Reddy's, Cipla, Adani Ports, JSW Infra, SRF, Gujarat Fluorochemicals, InterGlobe Aviation, GAIL, Bharat Forge, Sona BLW (for full list see in Exhibit 1).

We expect 15%+ Nifty 50 compounding into FY27, supported by earnings recovery, strong retail-led DII flows and a recovery in FPI inflows. Globally too, a rotation from US tech dominance to non-tech (cyclical/value/old economy) areas is actively playing out in CY26 so far. EPFR fund flow data suggests that, after six weeks of sustained redemptions, India-focused funds showed early signs of stabilisation, with marginal inflow of \$67mn this week. The conclusion of India-US trade deal, correction in relative premium to MSCI EM (1.6x now) and recovery in nominal GSP growth should give further fillip to India FPI flows. For more, please refer to our note [India FPI Inflows: Set for a Comeback in 2026](#) released on 14 November 2025.

India's tariff reset; external risk premium falls: After the reduction in tariff, the policy implied effective tariff rate stands at 13.7% (18% Reciprocal Tariffs under IEEPA + Section 232 ex-aircrafts/parts, export weighted). At 13.7%, tariff on Indian exports is lower than major peers such as Bangladesh (~20%), Cambodia (~20%), Vietnam (15.4%), Thailand (15%) among others. We see the trade offering a clear de-risking trigger for Indian equities, ending tariff escalation concerns and resetting the narrative toward trade normalization.

Potential 65bps medium-term lift to nominal GDP growth... Since the reduction in tariffs are effective immediately, we expect a 40bps fillip to India's nominal GDP growth in FY27E, *ceteris paribus*. We expect the India-EU FTA (once fully in motion) along with the US trade deal to add a combined 60-65bps to India's nominal growth in the medium term.

Sectoral alignment aimed at embedding India into global supply chains: The duty reduction, alongside India's USD 500bn US import commitment in energy and technology, embeds India deeper into global supply chains. The Section 232 tariffs have been eased for Auto-components (subject to quotas) and metals that are used in aircraft/parts. India will eliminate or reduce tariffs on all US industrial goods and a wide range of US food and agricultural products, including dried distillers' grains (DDGs), red sorghum for animal feed, tree nuts, fresh and processed fruit, soybean oil, wine and spirits among others

Policy stability transmitting to FX and market risk appetite: The USDINR has reacted positively, appreciating by 1.2% since the US President's announcement. Given RBI's pause in the recent meet and our expectation of a hold for a prolonged period, we see risks of runaway depreciation arrested in the near term.

AI and data center capex emerging as a structural FDI theme: The concessions in the deal along with the recent tax holiday for cloud services providers for data centres in India should boost India's data centre play. The agreement is designed to accelerate trade in GPUs and data center technologies – a key focus area under the iCET framework and the newly launched TRUST initiative. The trade deal is likely to smoothen the supply of chips and GPUs direct from NVIDIA and AMD.

India diversified export markets through CY25



Source: CEIC, Elara Securities Research

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Textiles, Pharma, Ports and Chemicals lead the upside: Textile & chemicals sector benefits meaningfully as US tariffs fall to 18% from 50%, restoring India's cost competitiveness vis a vis peers. Generic pharma sees structural de-risking as zero-duty access for formulations is reaffirmed and Section 232 overhang on finished generics eases. As India's trade with countries shores, ports gain indirectly from higher US-linked industrial and agriculture imports, supporting container, bulk, and liquid cargo growth. The Aviation space benefits from the removal of Section 232 tariffs on aircraft and parts, lowering fleet and MRO costs. While there are concerns of diversification away from Russian oil and its relative price benefit, we see the deal improving LNG sourcing optionality and aiding supply diversification. Auto ancillaries also emerge as winners, with over 50% of auto component exports to the US expected to fall under the duty-free category.

Neutral to negative impact – Sugar and grain-based ethanol face pressure as DDGS imports reduce realizations, mildly impacting profitability. Steel remains unchanged under Section 232, with tariffs intact, implying no benefit. **Alcohev** impact is neutral given Bourbon's negligible market share, though lower wine duties increase competition domestic premium wine players such as Sula Vineyards.

Exhibit 1: India-US trade deal – Sector-wise impact

Sector	Key announcements	Impact (Positive/ Negative/ Neutral)	Explanation	Stocks – Positive	Stocks – Negative
Auto Ancillaries	Consistent with US national security requirements, India will receive a <u>preferential tariff rate quota for automotive parts</u> , subject to the tariff imposed to eliminate threats to national security found in Proclamation 9888 of 17 May 2019 (adjusting imports of automobiles and automobile parts into the United States), as amended	Positive	The US has introduced a preferential tariff rate quota (TRQ) for automotive components previously subject to Section 232 tariffs, primarily covering passenger vehicle component exports. Under this provision, a specified volume of eligible components can be exported to the US at a concessional tariff rate (currently at 25%), with further clarity on the exact reduced rate awaited. Additionally, reciprocal tariffs on industrial goods – covering auto components outside the ambit of Section 232 – have been reduced from 50% to 18%. Notably, over 50% of auto component exports to the US are now expected to fall under the duty-free category, improving export competitiveness and market access.	Bharat Forge derives ~30% of its standalone revenues from the US market, with auto and industrial exports contributing ~15% each. Sona BLW, with ~30% revenue exposure to the US, is likely to be a key beneficiary of the reduction in Section 232 tariffs. With over 50% of auto Indian component exports to the US expected to move into the duty-free category (elementary category), some product portfolio of Sona BLW is likely to gain with cost competitiveness in the US market, especially against Chinese exports that continue to attract tariffs of ~40%.	NA
Generic Pharma	Tariff would go down to zero with certain overhang of Section 232.	Overall Positive	The India-US trade deal structurally de-risks US generics exposure for Indian pharma, with zero-tariff access reaffirmed post-announcement—most positive for US-heavy generic and injectable exporters where Section 232 had been a key valuation overhang.	Aurobindo Pharma, Gland Pharm, Dr Reddy, Cipla, Lupin, Zydus	
Oil & Gas	India expresses intent to increase purchases of US energy products (LNG, crude, LPG, coking coal) as part of broader trade cooperation; no explicit tariff changes announced	Neutral to Mildly Positive	Deal improves sourcing optionality and supply diversification especially of LNG. No direct tariff or margin impact, economics remain price-driven	GAIL, Petronet LNG	None
Aviation	Removal of Section 232 national security tariffs on certain aircraft and aircraft parts; enhanced bilateral trade in aviation products	Positive	Reduction in aircraft and spares costs improves fleet economics and MRO viability	InterGlobe Aviation, SpiceJet	None
Ports	India-US trade agreement to cut Indian tariffs on US industrial and agri goods, supporting higher import volumes and cargo diversification at Indian ports.	Positive	The India-US trade measures are positive through higher import-led cargo (containers, agriculture and liquid bulk), with Adani Ports to see a higher upside due to scale and integrated logistics, while JSW Infra benefits via improved utilization and steady bulk growth.	JSW Infra, Adani Ports	
Steel	No change	Neutral	Remains under Section 232 so no gains	NA	NA
Chemicals	The US applies 18% reciprocal tariff on selected Indian-origin chemical products; India to eliminate or reduce tariffs on all US industrial goods and address NTBs (standards, testing, ICT inputs)	Positive	Reduction from punitive tariffs materially improves India's relative competitiveness versus major global peers	SRF, Gujarat Fluorochemicals, Aarti Industries	None
Textile	Reciprocal tariff reduced from 50% to 18% effective from Feb 3, 2026	Positive	This is a major positive development for the Indian textile and apparel sector. At 18% tariff, Indian exporters now have the most favorable tariff position among all major textile exporting countries to the US. This reverses the unfavorable competitive dynamic that emerged where India faced the highest effective tariff rate at 50%.	Apparel players such as Gokaldas Exports, Arvind, Pearl Global, KPR Mill, SP Apparels, Kitex Garments and Home textile players such as Indo Count Industries, Welspun Living, Himatsingka Seide, and Trident are key beneficiaries	

Sector	Key announcements	Impact (Positive/ Negative/ Neutral)	Explanation	Stocks – Positive	Stocks – Negative
Sugar/Ethanol	Reduced or complete elimination of tariffs on DDGS import	Neutral to Negative	DDGS is a by-product for grain based ethanol manufacturers. Import of DDGS would reduce the realization for DDGS in turn, impacting ethanol profitability for them. Sugar companies are primarily engaged in manufacturing sugar based ethanol. Hence, the impact is neutral-to-mildly negative.	None	None
Alcobev	India and the US agree on overall lower tariff	Neutral	<i>Bourbon</i> whisky volumes in India are at ~0.1mn cases, versus ~300mn whisky cases overall (~0.03% share). Even within the luxury whisky segment (~20mn cases), bourbon's share is only ~0.5%. Import duty on bourbon whisky is ~100%, expected to decline to ~18%. This likely translates into only ~20-25% MRP reduction after state taxes and margins. Impact on overall Indian whisky consumption is neutral, as the market is dominated by Scotch whisky, followed by single malts, with bourbon remaining niche. Wine duties are expected to fall meaningfully, which is negative for domestic premium wine players, especially Sula, due to higher competition from imports.		Sula Vineyards

Source: Elara Securities Research

Exhibit 2: Change in tariffs post India US trade deal

Sector	Tariff before (for US companies)	Tariff now (for US companies)	Tariff before (for Indian companies)	Tariff now (for Indian companies)	Total sectoral imports (from US to India) – USD bn	Total sectoral exports (from India to US) - USD bn
Auto Ancillaries			~25% for components falling under section 232, ~50% reciprocal tariffs for others	Preferential tariff rate quotas, Tariff for items covered under section 232 has been reduced to a rate to be known at a later date. For items not covered under section 232 (reciprocal tariff), tariff has been reduced to 18%.	~USD 7.35bn (FY25)	~USD 1.65bn (FY25)
Generic Pharma			Generic pharma was technically tariff-free, but Section 232 posed a material tail risk (tariffs / quotas / localization).	Zero-duty access for generic formulations explicitly reaffirmed. Near-term Section 232 risk neutralized for finished generics. Triggered if imports are found to threaten US national security		USD 8.57bn as of CY24. This represents 40% of Indian exports to the US.
Oil & Gas	Low or nil tariffs on LNG and crude oil imports (0-2.5%)	No change	No material US tariffs applicable	No change	~USD 8-10bn	<USD 1bn
Aviation	Section 232 tariffs on steel, aluminium and copper inputs raised production costs for aircraft and parts	Input-cost relief for US OEMs on covered metals	Higher effective cost via imported aircraft and spares	Lower effective cost for aircraft, engines, and components	~USD 7-9bn	~USD 1.5-2bn
Steel	50%	50%	Basic custom duty at 7.5%, safeguard duty at 12%, cess at 10%	Basic custom duty at 7.5%, safeguard duty at 12%, cess at 10%	Apr-Nov 2025 USD 0.04 bn	Apr-Nov 2025: USD 0.4bn/ FY25 USD 0.6bn
Chemicals	Moderate to high tariffs on industrial and specialty chemical imports	Tariffs reduced / eliminated on US industrial chemical exports	Punitive tariffs of up to ~50% on selected Indian-origin chemical products	18% reciprocal tariff on selected categories (organic chemicals, plastics, rubber)	~USD 4-5bn	~USD 6-7bn
Textile			50%	18%		Apparel - USD 4.7bn (India's share - 5.9%) Bedsheet - USD 0.8bn (India's share - 61.3%) Towel - USD 0.7bn (India's share - 43.0%) Total of above - USD 6.2bn (India's share - 7.5%)
Alcobev	100%	~18%	~50%	~18%	USD 0.75mn	USD 17mn

Source: Elara Securities Research

Exhibit 3: Policy implied effective tariff rate

Countries (%)	2024	Aug-25	7-Feb-26
China	10.7	30.7	30.7
Bangladesh	15.2	19.9	19.9
Cambodia	7.0	19.7	19.7
Indonesia	4.8	17.6	17.6
South Korea	0.2	17.1	17.1
Vietnam	3.9	15.4	15.4
Thailand	1.6	15.0	15.0
India	2.4	32.7	13.7
The Philippines	1.3	12.9	12.9
Malaysia	0.6	11.2	11.2
Taiwan	0.9	9.1	9.1

Source: Fitch, Elara Securities Estimates (For India)

Exhibit 4: India diversified export markets through CY25

Source: CEIC, Elara Securities Research

Exhibit 5: India's exports to USA (top 15)

HS Code	USD bn	CY24 Jan-Sep	CY25
Overall exports		80.8	72.5
Products		CY24 Jan-Sep	CY25
'85	Electrical machinery and equipment and parts thereof; sound recorders and reproducers, television..	12.6	19.7
'71	Natural or cultured pearls, precious or semi-precious stones, precious metals, metals clad ...	9.3	5.7
'30	Pharmaceutical products	8.9	7.7
'84	Nuclear reactors, boilers, machinery and mechanical appliances; parts thereof	6.6	5.5
'27	Mineral fuels, mineral oils and products of their distillation; bituminous substances; mineral ...	4.4	3.3
'73	Articles of iron or steel	3.0	2.5
'63	Other made-up textile articles; sets; worn clothing and worn textile articles; rags	2.9	2.2
'87	Vehicles other than railway or tramway rolling stock, and parts and accessories thereof	2.7	1.9
'29	Organic chemicals	2.6	2.1
'62	Articles of apparel and clothing accessories, not knitted or crocheted	2.6	2.1
'61	Articles of apparel and clothing accessories, knitted or crocheted	2.6	2.0
'03	Fish and crustaceans, molluscs and other aquatic invertebrates	2.0	1.4
'39	Plastics and articles thereof	1.6	1.2
'38	Miscellaneous chemical products	1.3	1.1
'57	Carpets and other textile floor coverings	1.2	0.9
'94	Furniture; bedding, mattresses, mattress supports, cushions and similar stuffed furnishings; ...	1.2	0.9
'68	Articles of stone, plaster, cement, asbestos, mica or similar materials	0.9	0.6
'40	Rubber and articles thereof	0.9	0.7
'90	Optical, photographic, cinematographic, measuring, checking, precision, medical or surgical ...	0.9	0.9
'76	Aluminium and articles thereof	0.9	0.8

Source: WTO, Elara Securities Research

Exhibit 6: India's imports from the USA (top 15)

HS Code	USD bn	CY24 Jan - Sep	CY25
All products		43.1	35.5
Products			CY24 Jan - Sep CY25
'27	Mineral fuels, mineral oils and products of their distillation; bituminous substances; mineral ...	13.2	12.5
'71	Natural or cultured pearls, precious or semi-precious stones, precious metals, metals clad ...	4.9	3.0
'84	Nuclear reactors, boilers, machinery and mechanical appliances; parts thereof	4.1	3.6
'85	Electrical machinery and equipment and parts thereof; sound recorders and reproducers, television ...	3.1	3.4
'90	Optical, photographic, cinematographic, measuring, checking, precision, medical or surgical ...	2.0	1.6
'39	Plastics and articles thereof	1.6	1.1
'88	Aircraft, spacecraft, and parts thereof	1.4	0.3
'29	Organic chemicals	1.3	1.2
'38	Miscellaneous chemical products	1.2	0.9
'08	Edible fruit and nuts; peel of citrus fruit or melons	1.1	1.1
'89	Ships, boats and floating structures	1.0	0.0
'76	Aluminium and articles thereof	0.9	0.6
'72	Iron and steel	0.9	0.6
'47	Pulp of wood or of other fibrous cellulosic material; recovered (waste and scrap) paper or ...	0.7	0.6
'87	Vehicles other than railway or tramway rolling stock, and parts and accessories thereof	0.6	0.5

Source: WTO, Elara Securities Research

Exhibit 7: US' services export / import to / from India

(USD mn)	Dec-19	Dec-20	Dec-21	Dec-22	Dec-23	Dec-24
Balance	(8,898)	(12,446)	(13,710)	(7,089)	(2,381)	(1,617)
Exports	21,887	15,069	16,888	25,526	32,903	39,048
Imports	30,785	27,515	30,598	32,615	35,284	40,665
Technology+	16,216	13,356	13,649	13,066	13,952	16,849
Consulting+	3,929	4,547	5,388	7,254	8,454	9,718

Source: CEIC, Elara Securities Research

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