



Analysis of US Tariff Impact on Indian Export Sectors

This document provides a comprehensive analysis of the potential impact of hypothetical 25% tariffs imposed by the United States on Indian exports. We examine the vulnerability of key Indian sectors, including IT Services, Pharma, Auto & Components, Energy, and Defense, assessing their direct and indirect exposures. Furthermore, we detail the anticipated short-term market reactions and highlight the sectors most dependent on US trade, projecting the broader economic implications for India.



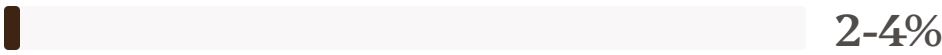
**Enrich Wealth
Private Ltd**

Immediate Sectoral Vulnerabilities to US Tariffs

The imposition of a 25% tariff by the United States on Indian exports is projected to disproportionately affect several key sectors, primarily due to their significant reliance on US client bases and export markets.

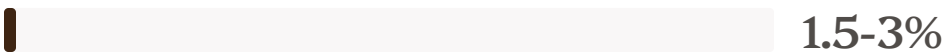
⊗ IT Services and Pharmaceuticals

These sectors are anticipated to suffer the most, with stock prices potentially declining by 2-4% for IT Services and 1.5-3% for Pharma. This vulnerability stems from their heavy dependency on US clientele and export revenues. Indian IT services, while not directly subject to tariffs, face indirect pressures as US clients may curtail spending amidst broader economic uncertainties and increased costs.



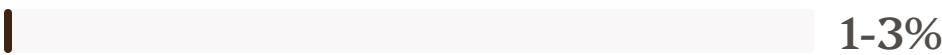
IT Services

Projected stock price fall



Pharma

Projected stock price fall



Auto & Components

Projected negative impact

⚠️ Auto & Components

This sector is expected to experience a moderate negative impact, with a projected decline of 1-3%. The direct risk arises from potential tariffs on exports, leading to an anticipated drop in direct orders from US buyers and posing risks to both revenues and employment within the sector.

ℹ️ Energy (Oil & Gas) and Banks

These sectors are largely projected to remain neutral. However, they carry some downside risk primarily due to broader market sentiment, potential shifts in global commodity prices, and escalating geopolitical concerns, particularly regarding India's energy trade with Russia.

✅ Defense Sector

Given its primary focus on domestic demand and India-Russia defense relations, this sector is largely expected to remain resilient or unaffected by these tariffs.

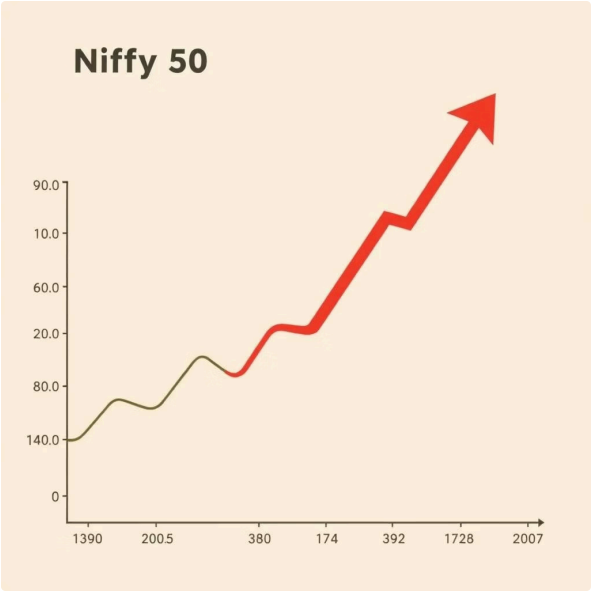
Market Reaction and Key Export Dependencies

A hypothetical short-term market reaction to the imposition of a 25% tariff by the US is anticipated to be significant, driven by panic selling in export-focused sectors.

The **Nifty 50** index could potentially dip below the 24,000 mark. Concurrently, market volatility, as measured by the **India VIX**, is projected to spike above 15. This immediate downturn would primarily affect sectors with substantial export exposure to the US, particularly those identified as most dependent on US trade.

Sectors Most Dependent on US Trade

Sector	Dependence on US	Tariff Impact Summary
Gems & Jewellery	Over \$10B exports (31%)	Supply chain disruption, job losses
Textiles & Apparel	Nearly 49% market dependence	Major challenge to competitiveness
Electronics (smartphones)	\$12.6B exports (31%)	Pricing pressure, risk to US assembly business
Pharmaceuticals	\$8B exports, 47%+ of US generics	Risk of new tariffs, crucial US dependency
Auto & Auto Components	Precision and high-value exports	Expected decline in demand; job risks



Detailed Sectoral Impacts and Vulnerabilities

Further examination of specific sectors reveals varying degrees of exposure and potential impacts from the proposed US tariffs. Each sector faces unique challenges that could affect its profitability and market standing.

Gems & Jewellery

This sector is among the most exposed, with the US accounting for a significant share of India's total global exports. Higher tariffs threaten to disrupt supply chains, inflate costs, and potentially jeopardise tens of thousands of jobs within the industry, which relies heavily on intricate manual processes.

Textiles & Apparel

As the largest single market for Indian textile producers, the US's tariffs make this sector particularly vulnerable. With nearly half of India's textile exports shipped to the US, these tariffs could trigger a sharp downturn, severely impacting competitiveness against regional rivals like Vietnam and Bangladesh who might offer more favourable trade terms.

Electronics

India has recently emerged as a crucial supplier of smartphones, especially for major players like Apple, to the US market. However, a 25% tariff risks reversing these recent gains, as companies may reconsider their supply chain strategies and potentially shift production or assembly away from India to avoid increased costs.

Pharmaceuticals

Although currently enjoying partial exemptions, the Indian pharmaceutical sector, which supplies nearly half of all generic drugs to the US, faces lingering uncertainty. Should tariffs be fully applied, it could lead to increased medicine costs in both countries, while the US would struggle to quickly find alternative suppliers for such a critical volume of essential drugs.

Auto & Auto Components

The sector anticipates a direct decline in orders from US buyers, especially for precision and high-value components. This reduction in demand could directly impact revenues and employment across the industry due to reduced manufacturing and export volumes.

Summary of Exposure and Broader Economic Implications

The sectors most critically exposed to the proposed US tariffs are Gems & Jewellery, Textiles & Apparel, Electronics, and Pharmaceuticals. Each faces unique, yet significant, headwinds that could redefine their operational and market strategies.

- **Gems & Jewellery and Textiles & Apparel:** These sectors face the most acute immediate risks due to their substantial export volumes to the US. The potential for supply chain disruptions, cost inflation, and job losses is considerable, requiring urgent mitigation strategies.
- **Electronics and Pharmaceuticals:** The risk profile for these sectors is more nuanced, contingent on future tariff exemptions and evolving global competition. While pharmaceuticals currently benefit from partial exemptions, their critical role in US generic drug supply leaves them vulnerable to policy shifts. Electronics, particularly in smartphone assembly, faces the challenge of retaining its market share amidst potential pricing pressures.
- The overall effect of these tariffs is expected to present a serious headwind to both sectoral growth and India's broader economic trajectory. The cumulative impact could lead to reduced investment, slower economic expansion, and increased trade deficits.



"The tariffs underscore the need for India to diversify its export markets and enhance domestic demand, reducing over-reliance on any single trading partner to ensure economic resilience."