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India-US trade

Indian exporters to face uncertain times as sharp increase in tariffs is likely to weigh on earnings

SEPTEMBER 2025

Overview

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The imposition of a 50% tariff by the US has positioned India as one of the most heavily tariffed countries globally, significantly undermining its competitive edge in sectors with substantial exports to the US.

Through its channel checks, including discussions with rated issuers, ICRA has assessed the near-term outlook for the most affected sectors, highlighting widespread margin pressures and challenges in implementing effective mitigation strategies.

In July 2025, the US announced a 25% reciprocal tariff on Indian imports, effective August 7, 2025^. This was followed by a further 25% penalty tariff on August 27, 2025 that was imposed due to India's continued engagement with Russia in the oil and defence sectors, despite Western sanctions. The combined 50% tariff burden makes India one of the most heavily tariffed nations globally (Annexure I). The rate is significantly higher compared to countries such as China, Asian exporters like Bangladesh, Vietnam and Japan. This will impair India's competitiveness as a favourable sourcing destination, unless tariffs are pared shortly.

Indian exports to the US span over an expansive 140 product categories, underscoring the importance of this trade relationship. The imposition of high tariffs is likely to adversely impact business potential across several sectors including auto components, metals, chemicals, textiles, cut and polished diamonds (CPD), seafood, footwear and leather products etc.

ICRA has conducted channel checks including discussions with its rated issuers across the impacted sectors to gather management insights and assess the near-term outlook, based on the current 50% tariff scenario. While sectors like auto components are managing well through limited alternate supplier substitution possibilities in the near-term, others such as textiles, CPD, seafood and footwear, are likely to witness demand pressures. Sectors like chemicals and metals are likely to pass on the cost increases; however, if companies are compelled to absorb the tariff burden, it could significantly erode profitability.

ICRA had previously revised its GDP growth projection for FY2026 down to 6.0% from 6.5% following the implementation of the 50% tariffs. However, the GST rationalisation is now expected to take away some of the tariff sting. Consequently, ICRA has now raised India's GDP growth projection for FY2026 back to 6.5%, notwithstanding the adverse sectoral implications of the tariffs#.

Sector	The US's share in total exports of India	Impact
Auto components	22%	↓*
Non-ferrous metals	13%	↓*
Steel	31%	↓*
Agrochemicals	18%	↓
Chemicals (dyes and pigments, organic, inorganic and miscellaneous / residual chemicals)	10-15%	↓
Textiles	25-35%	↓
Cut and polished diamonds (CPD)	37%	↓
Seafood	36%	↓
Footwear and leather products	22%	↓

*Source: The White House website; ICRA Research; Note: ^ - please refer https://www.icra.in/Research/ViewResearchReport/6464 for India USA trade and sectoral impact of tariffs, # - Please refer https://www.icra.in/Research/ViewResearchReport/6512 for full report, *Covered under section 232, which attracts a higher tariff rate.*

Sectoral impact of additional tariffs by the US

Sector	The US's share in total exports from India
Auto components	**22%**
Non-ferrous metals	**13%**
Steel	**31%**
Agrochemicals	**18%**
Chemicals (dyes and pigments, organic, inorganic and miscellaneous / residual chemicals)	**10-15%**
Textiles	**25-35%**
Cut and polished diamonds (CPD)	**37%**
Seafood	**36%**
Footwear and leather products	**22%**
Pharmaceuticals	**35%**
Electronic goods	**37%**
Petroleum products	**40%**

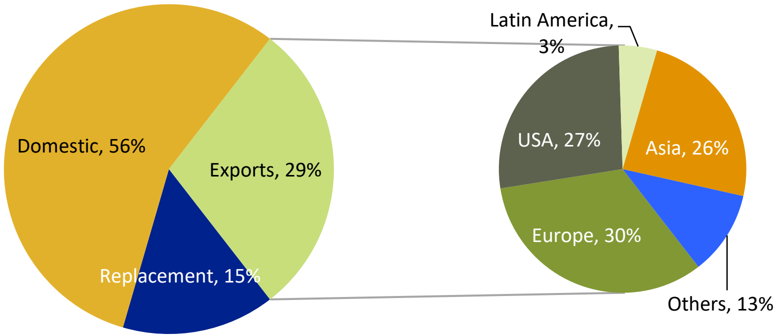
- Exports to the US form a major share (i.e., US's share is greater than or equal to 5%) in India's total export pie for more than 140 product categories *(see Annexure II for detailed break up)*. Key sectors represented in these categories include pharmaceuticals, electronic goods, petroleum products, auto components, textiles, chemicals, metals, CPD, seafood, footwear and leather.
- The recent imposition of additional tariffs has negatively affected industries such as auto components, textiles, chemicals, metals, CPD, seafood, footwear and leather. In contrast, other export sectors like pharmaceuticals, electronic instruments, and petroleum products have been exempted from these tariffs, thereby avoiding an adverse impact for the time being.

ICRA has conducted channel checks across the impacted sectors to gather management insights and assess the near-term outlook.

*Source: The White House website; ICRA Research; *Note: Steel/aluminium/auto components are exempted from reciprocal tariff; however, they are covered under section 232.*

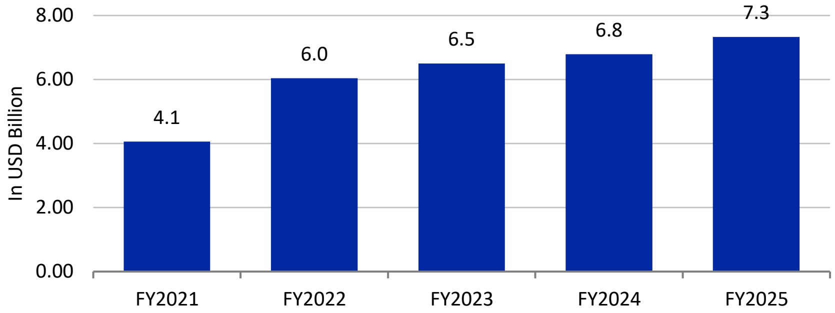
Auto components: Indian exporters at a disadvantage against most other Asian exporters; conclusion of India-US BTA critical

EXHIBIT: Geography-wise exports of Auto components by India



Source: ACMA, Department of Commerce (Government of India), ICRA Research

EXHIBIT: India's auto component export trend to USA (in USD billion)



Source: ACMA, ICRA Research; excludes batteries and tyres

EXHIBIT: India's positioning vis-à-vis other auto-component exporting nations

Competing Nations	US Tariff on India (%) - A	US Tariff Competing Nations (%) - B	Difference in Tariff – A-B
Indonesia	50%/25%	19%	-31%/-6%
Vietnam	50%/25%	20%	-30%/-5%
China	50%/25%	30%	-20%/+5%
EU	50%/25%	15%	-35%/-10%
Japan	50%/25%	15%	-35%/-10%

Note: Tariffs shown above are excluding the base tariff; tariffs on select automotive components from India are at 25% while reciprocal tariff of 50% is applicable on others

- Auto component exports account for around 30% of India's industry revenues, with 27% of these exports directed to the US. Accordingly, around 8% of Indian auto-component production will be impacted by the tariffs announced.
- The imposition of a 50% or even 25% tariff on Indian goods places Indian auto component exporters at a disadvantage compared to their Asian counterparts, as countries such as China, Japan, Vietnam, and Indonesia face lower tariffs of 15-30%. Further, manufacturers in Mexico and Canada remain exempt under the United States-Mexico-Canada Agreement (USMCA), further intensifying competitive pressures on Indian exporters.
- Exporters dependent on the US are trying to diversify their revenue base across other geographies (including Asia). Measures to improve value addition, diversification into non-auto segments and cost-optimisation strategies are also being undertaken, in addition to negotiations with supply chain partners.

Auto component: Channel checks suggest minimal immediate impact amid active mitigation measures

Sample size - 25

ICRA has assessed the impact on nearly 25 entities within this sector that have significant export exposure (5% to 85% of their total revenue). The share of exports to the US is also substantial in many entities, ranging from 1% to 90% for these entities.

Product categories include:

- Automotive engines, fasteners, wheels, brake linings, clutch padings, Propeller shafts, chains etc.

Management response on impact of tariffs:

- Impact: A large share of the entities in the portfolio report minimal or no material impact due to low exposure to the US, or because exports are routed through subsidiaries in other geographies (Mexico/Europe that benefit from trade agreements like USMCA).
- Cost Pass-Through Strategy: A common approach is to share the tariff burden between the company, customer, and end consumer. A large part of the companies have managed to passed on most of the cost to customers, especially for critical components with no alternatives.
- Customer Stickiness & Prebuys: Due to the complexity of switching vendors, companies expect continued business. Some saw export growth in H1 FY2026, partly due to advancement in shipments.
- Only a Short-Term impact: While some companies have deferred expansion plans due to tariff uncertainty, most expect only short-term headwinds.

Financial position:

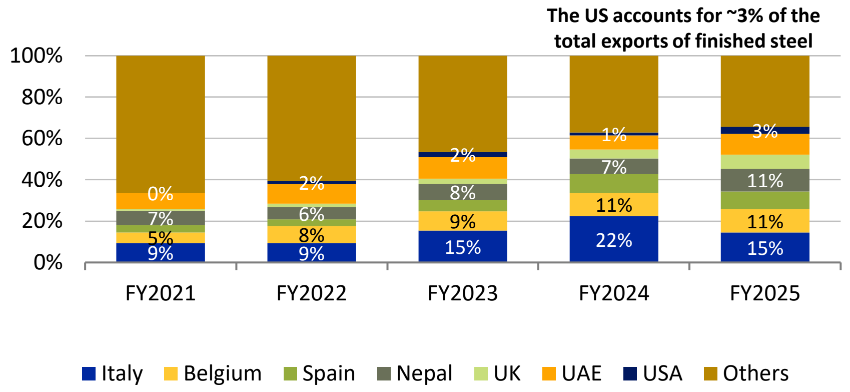
- Most entities demonstrate strong liquidity and maintain robust financial flexibility, enabling them to respond effectively to changing market conditions.
- With low leverage and the backing of strong parent entities for several major players, the entities enjoys enhanced stability and credibility.

- Many companies report limited direct exposure to the US markets (typically under 10-20% of revenues), with many operating under terms where customers bear the tariff costs. A part of the portfolio entities have managed to negotiate cost pass-throughs or are in the process of doing so, minimising profitability risks.
- The presence of manufacturing facilities in the US, trade agreements (USMCA) offers operational flexibility to scale production and optimise supply routes, helping to cushion tariff-related disruptions. Additionally, domestic market strength and niche product positioning further support resilience.

Source: ICRA Research

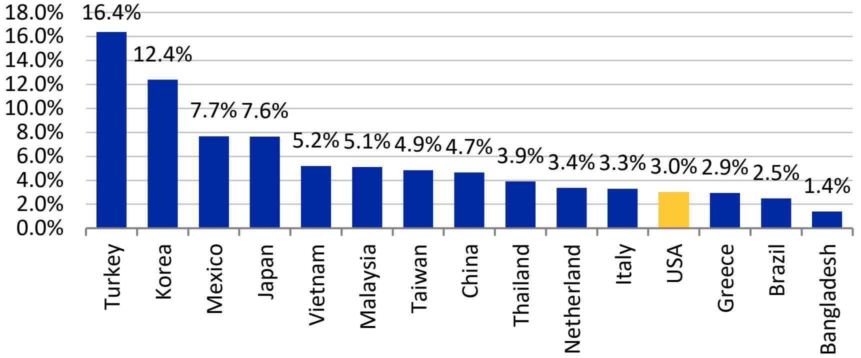
Metals: Potential global slowdown due to tariff war remains a negative factor for the metal sector

EXHIBIT: Trend in country-wise total finished steel export (% share)



Source: JPC, ICRA Research

EXHIBIT: Country-wise mix of primary aluminium export from India in FY2025



Source: Ministry of Commerce and Industry; ICRA Research

- Tariff measures present a mixed outlook for India's domestic steel industry. About 4 mtpa of steel deliveries to the US from Asian suppliers such as Japan and South Korea, which so far had preferential market access, may be redirected to high-growth markets like India, exerting pressure on domestic steel prices.
- However, the potential displacement of around 19 mtpa of steel imports into the US from high-cost countries creates an opportunity for Indian steel mills to capture a share of this sizeable market. At present, the US accounts for only 2-3% of India's total steel exports, but this could increase if Indian producers are able to expand their footprint.
- Any slowdown in global economic growth triggered by the US's reciprocal tariff measures could negatively affect the steel sector, as international steel prices may come under pressure.

- While India exports almost 50% of primary aluminium production, the reliance on the US market was very minimal at ~2% in FY2025. Nevertheless, the global trade war is expected to weaken the demand for aluminium in the US.
- With China already facing challenges in reviving its economy, LME aluminium prices are likely to be negatively impacted in the coming fiscal. Lower LME prices will negatively impact the margins of domestic entities.

Metals: Channel checks indicate no volume disruption since tariff change, as costs are passed on

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Sample size - 3

ICRA has assessed the impact on three entities within this sector that have significant export exposure, with exports accounting for 20% to 95% of their total revenue. The share of exports to the US is also substantial, ranging from 65% to 90% for these entities.

Product categories include:

- Downstream products like aluminium extrusion, Conduit fittings for electrical equipments, flanges and connector

Management response on impact of tariffs:

- No volume disruption: Despite the 25% duty imposed in February 2025 and the subsequent hike to 50%, companies reported no cancellations and stable shipment volumes.
- Full cost pass-through: Entities have successfully passed the entire duty burden on to end customers. This has been particularly feasible given the US' heavy reliance on imports. With limited domestic manufacturing capabilities for specialised products such as aluminium extrusions and flanges, US buyers have few viable alternatives..

Financial position:

- All three entities maintain an adequate liquidity profile with healthy cash balances and low debt. They possess moderate financial flexibility without parental support.

- Despite the 50% tariff and high exports to the US, companies aren't expecting a big drop in sales or earnings. This is largely due to the US's limited domestic manufacturing capacity for these specialised products, resulting in a continued reliance on imports. The healthy margins enjoyed by US importers provide them with the flexibility to absorb the tariff impact, thereby helping to sustain demand and realisations.
- In view of the same, margin and volume impact is expected to be minimal as costs are passed on.
- Ongoing monitoring is needed for any changes in US demand or competitive landscape.

Source: ICRA Research

Chemicals: Significant tariff differential with competing nations exerts profitability risk on chemical sector

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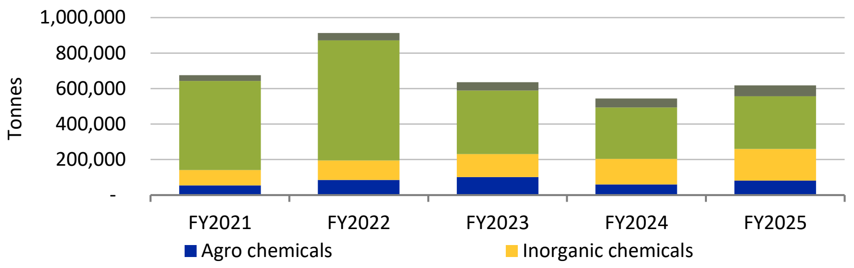
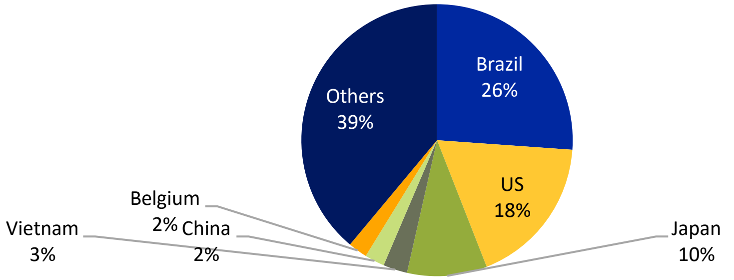
EXHIBIT: Export trend for chemicals – Volume in tonnes



Source: DGCI&S, Ministry of Commerce and Industry; ICRA Research

EXHIBIT: Major export markets served by Indian agrochemical industry



Source: Ministry of Commerce (GoI); CMIE; ICRA Research

EXHIBIT: Reciprocal tariff on competing nations

Competing Nations/Region	US Tariff on India (%) - A	US Tariff on Competing Nations (%) - B	Difference in Tariff – A-B
EU	50%	15%	-35%
Mexico	50%	25%	-25%
China	50%	30%	-20%

Source: Executive order by White House, ICRA Research

Agrochemicals: The export share of the Indian agrochemicals industry is high at 60% and the US is one of the major export destinations for agrochemicals with a 18% share in FY2025.

Dyes and pigments, organic, inorganic and miscellaneous/ residual chemicals: India is a major exporter of these chemicals to the US, though China is also a significant player. In case of dyes/pigments, the EU and Mexico are also major suppliers.

USA's dependence on EU nations remains sizeable followed by Mexico and China. With the tariff differential between competing nations and India contracting, India's competitiveness will moderate marginally.

Chemicals: Sample check indicates moderate impact in near term for Indian chemical players

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Sample size - 7

ICRA has assessed the impact on seven entities within this sector that have significant export exposure, with exports accounting for 16% to 80% of their total revenue. The share of exports to the US is also substantial, ranging from 10% to 65% for these entities.

Product categories include:

- Speciality chemicals (aroma chemicals, castor derivatives, Sodium Nitrite etc.),
- Petrochemicals (Geotextiles) and
- Carbon black.

Management response on impact of tariffs :

The tariff structure remains undefined in terms of specific HS Codes, so the precise impact is expected to become clearer in the coming weeks. So far, there has been no noticeable change in customer demand or any renegotiation of contracts. Most companies are currently adopting a 'wait and watch' approach.

Demand and pricing:

- Previous tariffs were passed on to end customers, but the impact of the revised 50% tariff is uncertain.
- For a few firms, firm orders with locked pricing and volume are in place till December 2025, so no tariff-related repricing has occurred yet.
- Some entities are also expecting duty credit or exemption as the products are used in critical applications like defence.

Financial position:

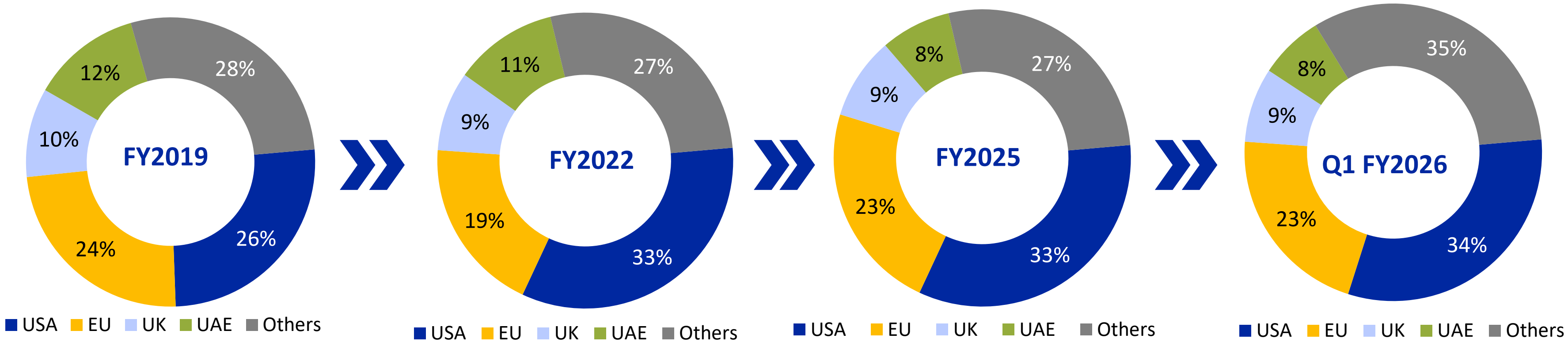
- Most entities exhibit a sound liquidity profile and robust financial flexibility, although they lack strong parental support.

- ICRA anticipates a moderate near-term impact on entities within the chemical sector, as many have initiated mitigation strategies such as diversifying into other geographies.
- Additionally, certain chemical products exported to the US are niche and serve critical applications, which may offer some insulation.
- However, if companies are compelled to absorb the tariff burden, it could significantly erode profitability. Moreover, the competitive threat from Chinese manufacturers remains a concern and cannot be overlooked.

Source: ICRA Research

Textiles: US market share in Indian apparel exports set to shrink following US tariff hike

Exhibit: India's apparel exports – region-wise share



The US and European markets (including EU and UK) continue to be the major markets for Indian apparel exporters, accounting for 33-34% and 31-32% share, respectively, in FY2025 and Q1 FY2026. However, following the implementation of US tariffs, ICRA anticipates a contraction in the share of apparels exported to US

Source: Department of Commerce (Government of India), ICRA Research

Textiles: Steep US tariffs to undermine India's competitiveness in US markets

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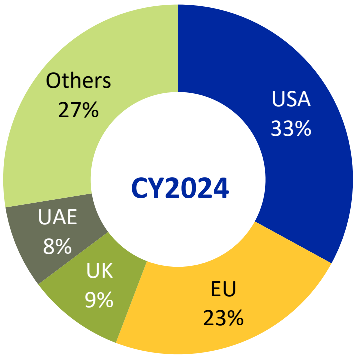
EXHIBIT: Key apparel exporters to the US and tariff impact

Competing Nations	US Tariff on India (%) - A	US Tariff on Competing Nations (%) - B	Difference in Tariff – A-B	Share in US Apparel Trade (CY2024)
Vietnam	50%	20%	-30%	19%
China	50%	30%	-20%	21%
Bangladesh	50%	20%	-30%	9%
Indonesia	50%	19%	-31%	5%
Cambodia	50%	19%	-31%	5%
India	50%	NA	NA	6%

Source: CMIE, ICRA Research

EXHIBIT: India's apparel exports – Region-wise share



Source: Department of Commerce (Government of India), ICRA Research

- Asian countries, namely Vietnam, China, Bangladesh, India, Indonesia, Cambodia and Pakistan, collectively represent 70% of apparel imports by the US.
- Specifically for India:
  - The US has been the top-most destination for apparel exports, accounting for a third of the share of total exports in CY2024.
  - In the home textiles segment as well, the US is a key market, accounting for 59% share in CY2024.
  - In the cotton yarn segment, the US's share in India's exports is less than 1% and will have a negligible impact.
- While India was at a competitive position initially as the tariff actions were much steeper in other key competing nations like China, Bangladesh and Cambodia. However, the US imposed a 50% tariff on Indian apparel imports, making Indian garments significantly more expensive compared to those from other key competing nations, which face lesser tariffs.
- While the recently concluded trade deal between India and the UK could lead to a shift in trade volumes to the UK market, a larger impact can be expected over the longer term as the validation process from customers is usually time consuming.

Textile: Tariff actions a major setback; margin contraction of 200-300 bps is expected for apparel exporters

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Sample size - >25

ICRA has assessed the tariff related impact on more than 25 ICRA-rated entities within the textile sector having significant export exposure, with exports accounting for 20% to 98% of their total revenue. India's share in apparel exports to the US is approximately 33% in the apparel segment and around 55-60% in the home textiles segment.

Product categories include:

- Ready made garments
- Cotton yarn
- Home textile - bed sheets, towels

Management response on impact of tariffs:

- High impact for apparels and home textile exporters: At a broader level, entities have not yet experienced significant disruption, as orders are typically placed 3-4 months in advance and most exports are conducted on FOB basis. While a large portion of shipments was expedited before imposition of the additional tariffs (on August 27th), the impact is expected to be more pronounced in H2 FY2026, as the tariff burden renders India less competitive.
- Partial cost pass-through: Entities were largely able to pass on the initial 25% tariff increase to customers, offering only minor discounts. However, full clarity on pricing implications following the additional 25% penalty tariff is still awaited. ICRA anticipates margin contraction for textile manufacturers in H2 FY2026.
- Diversified manufacturing & order book: Entities with diversified manufacturing facilities across other geographies (like Sri Lanka, Bangladesh, Vietnam, Africa etc) are expected to redirect orders to these locations, thereby mitigating the impact.
- Other positives: Amid the challenging operating environment, the recently concluded UK FTA and the exemption from import duty on cotton until December 2025 are positive developments. Industry players also expect supportive measures from the Government to help navigate the current challenges.

Financial position:

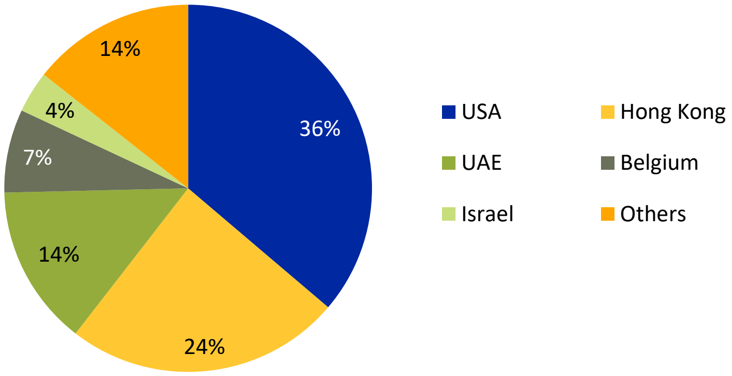
- Liquidity is adequate, with cash buffers and undrawn working capital lines.
- Export focused apparel and home textile players to see dip in revenues and margins and moderation in debt metrics as well, with sustenance of tariff related concerns.

- Apparel exporters to see a 6-9% dip in revenues in FY2026.
- Margins are likely to contract by 200–300 bps due to discounts or inability to fully pass on tariffs.
- Entities with diversified revenue streams or geographies are better positioned.
- Moderation in credit metrics envisaged for apparel and home textile exporters.

Source: ICRA Research

CPD: Tariffs to adversely impact the industry

EXHIBIT: Country-wise exports of CPD from India (FY2025)



Source: Gems and Jewellery Export Promotion Council (GJEPC), ICRA Research

EXHIBIT: US tariff rates with competing nations

Competing Nations	US Tariff on India (%) - A	US Tariff on Competing Nations (%) - B	Difference in Tariff – A-B
Belgium	50%	15%	35%
Israel	50%	15%	35%
UAE	50%	10%	40%

Source: ICRA Research

- India accounts for 90% of the CPD produced across the world and is a major global polishing hub. The US and China (exports routed through Hong Kong) remain the primary destinations for India's polished diamond exports.
- Of the total CPD exports in FY2025, 36% were directly exported to the US. Around 42% of exports from India were to trading hubs, including Hong Kong, the UAE and Israel, a large chunk of which is further exported to the US.
- The import tariff of 50% by the US shall adversely impact the overall quantum of direct Indian CPD exports to the US, especially given the relatively higher tariffs vis-à-vis other competing nations. Indian diamantaires are shifting exports to trading hubs like Dubai, Belgium and Israel to re-route to the US (given the lower import tariff for these countries), as trans-shipment tariff is not imposed. The imposition of a trans-shipment tariff can further impact the CPD industry.

CPD: Mitigation expected through re-routing strategies and inventory management

Sample size - 5

ICRA has assessed the impact on 5 entities within this sector that have significant export exposure, with exports accounting for 50-70% of their total revenues. The share of exports to the US is also substantial (5% to 50%).

Product categories include:

- Diamonds

Management response on impact of tariffs:

- Mitigation strategies and rerouting efforts: Entities have absorbed a limited portion of the tariff burden (up to 5%) for select customers. However, for most orders placed after August 2025, the additional costs are being passed on to customers. The industry is actively exploring re-routing options through countries such as Oman, Mexico, and the UAE. Additionally, there is an increased focus on engaging with jewellery manufacturers in export markets to facilitate indirect exports to the US..
- Demand outlook and production adjustments: Due to anticipated end-consumer demand decline in FY2026, revenues are expected to drop by 15-20% YoY. Entities are proactively reducing production to manage costs.

Financial position:

- Liquidity is generally adequate, with no material long-term borrowings and reliance primarily on working capital loans.
- No major parentage support; financial flexibility is ordinary to strong.

- Revenues and profitability may decline for some due to demand contraction in the US.
- Inventory management and re-routing strategies are being closely monitored.

Source: ICRA Research

Seafood: Exports face headwinds as the US may pivot to lower tariff competitors like Ecuador and other Asian nations

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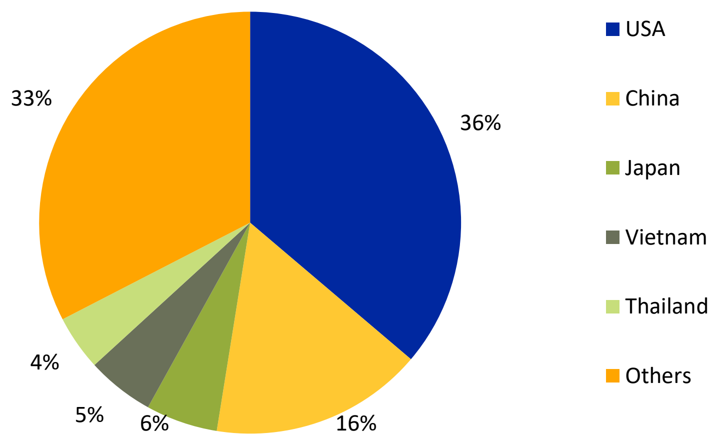
Exhibit: Export of seafood products from India - Country-wise mix (FY2025)



Source: Department of Commerce, ICRA Research

Exhibit: US tariff impact on India and other competing nations

Competing Nations	US Tariff on India	US Tariff on competitors	Difference in tariffs	Shrimps imports by US (CY 2024)
Ecuador	50%	10%	-40%	21%
Indonesia	50%	19%	-31%	17%
Vietnam	50%	20%	-30%	11%
Thailand	50%	19%	-31%	5%

Source: ICRA Research

- The US accounts for more than 1/3rd of the total seafood exports from India. Shrimps form the major part of the seafood exports.
- Countries like Ecuador, with lower tariffs and geographic proximity to the US and other Asian countries with lower tariffs, may benefit from India's setback.

Seafood: Channel checks indicate impact on margins by 200-300 bps due to additional tariff

Sample size - 3

ICRA has assessed the impact on 3 entities within this sector that have significant export exposure, with exports accounting for 55% to 95% of their total revenue. The share of exports to the US is also substantial, ranging from 50% to 90% for these entities.

Product categories include:

- Shrimps

Management response on impact of tariffs:

- Stable export in pre-penalty window: There has been no material decline in shrimp export volumes up to August 15, 2025, as shipments arriving before September 22, 2025, are exempt from the newly imposed 25% penalty by the US government.
- Export risk: With 90% of exports directed to the US, the sector is highly vulnerable to the additional tariff, which could significantly impact volumes post-August 15.
- Partial cost pass-through: Entities have managed to pass on increased tariff costs up to 25%, mitigating immediate financial strain, although the penalty's full impact on future volumes remains uncertain.

Financial position:

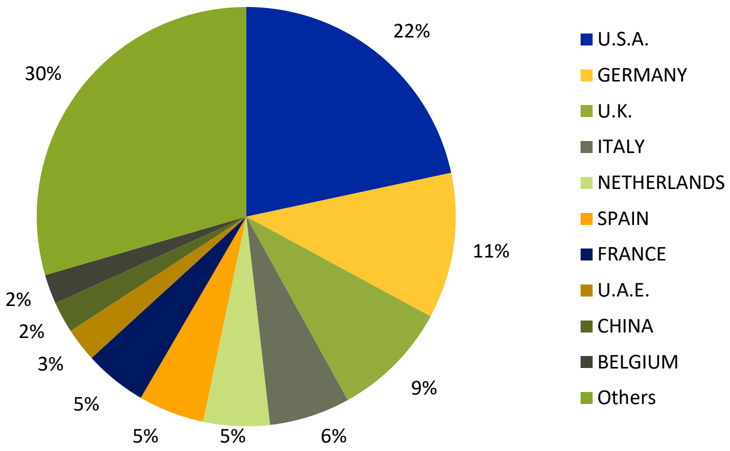
- Liquidity is generally strong, with no material long-term borrowings and cushion in working capital loans.
- No major parentage support; financial flexibility is ordinary.

- Impact relating to the incremental penalty to be monitored. However, the entities have no major loan borrowings.
- Entities expect margins to get impacted in the range of 200-300 bps due to the tariff-related impact.

Source: ICRA Research

Footwear and leather products: High tariffs pose challenges to Indian exporters; threatening to dampen business prospects

Exhibit: Export of footwear & leather products from India - Product Mix (FY2025)



Source: Department of Commerce, ICRA Research

Exhibit: US tariff impact on India and other competing nations

Competing Nations	US Tariff on India	US Tariff on competitors	Difference in tariffs	Footwear imports by US (CY 2024)
China	50%	30%	-20%	35.8%
Vietnam	50%	20%	-30%	32.4%
Indonesia	50%	19%	-31%	9.3%
Italy	50%	15%	-35%	7.0%
Cambodia	50%	19%	-31%	3.3%
Mexico	50%	25%	-25%	2.6%
India				1.6%

Source: ICRA Research

- The US imports almost its entire footwear requirements, with China, Vietnam, and Indonesia collectively accounting for 75% of total US footwear imports. In contrast, India contributes less than 2% to US footwear imports. However, the US remains a key market, representing over 20% of India's total leather and footwear exports.
- While the signing of the India-UK FTA in July 2025 is a positive development, the steep tariff imposed by the US is expected to negatively impact the business prospects of Indian exporters.

Sectoral outlook

Sector	Sample size	Outlook	Impact
Auto components	25	Limited immediate impact observed, supported by proactive mitigation strategies	↓*
Ferrous and Non-ferrous metals	3	Margin and volume impact is expected to be minimal as costs are passed on	↓*
Chemicals	7	Moderate impact expected if companies are compelled to absorb the tariff burden. Moreover, the competitive threat from Chinese manufacturers remains a concern and cannot be overlooked	↓
Textiles	>25	Margin contraction of 200-300 bps for apparel exporters expected	↓
CPD	5	Mitigation expected through rerouting strategies and inventory management	↓
Seafood	3	Impact on margins by 200-300 bps due to additional tariff on seafood	↓
Footwear and leather products	3	High tariffs pose a challenge to Indian exporters, threatening to dampen business prospects	↓

Channel checks across key export sectors present a mixed outlook. While sectors such as auto components and CPD are coping well through proactive mitigation measures and rerouting strategies, other sectors such as textiles, seafood, and footwear, are facing margin pressures. Sectors like chemicals and metals appear capable of passing on the increased costs; however, if companies are compelled to absorb the tariff burden, it could significantly erode profitability.

*Source: ICRA Research; *Note: Covered under section 232.*

Annexures

Annexure I: India now faces the highest US tariff rate globally

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Exhibit: Reciprocal tariff announced in July 2025 vs. April 2025

Country	Reciprocal tariff (as of July 2025)	Reciprocal tariff (as of April 2025)	Difference
India	50%*	26%	24%
Brazil	50%	11%	39%
Laos	40%	48%	-8%
Myanmar	40%	44%	-4%
Cambodia	19%	49%	-30%
Thailand	19%	36%	-17%
Bangladesh	20%	37%	-17%
Serbia	35%	37%	-2%
Canada	35%	25%	10%
South Africa	30%	30%	0%
Bosnia and Herzegovina	30%	35%	-5%
Algeria	30%	30%	0%
Iraq	35%	39%	-4%
Libya	30%	31%	-1%
Sri Lanka	20%	44%	-24%
China	30%	34%	-4%
South Korea	15%	25%	-10%
Kazakhstan	25%	27%	-2%
Malaysia	19%	24%	-5%
Tunisia	25%	28%	-3%
Brunei	25%	24%	1%
Moldova	25%	31%	-6%
The Philippines	19%	17%	2%
Vietnam	20%	46%	-26%
Indonesia	19%	32%	-13%
Japan	15%	24%	-9%
European Union (EU)	15%	20%	-5%

*Source: Executive Order by the White House; ICRA Research; Note: * Reciprocal tariff + penalty tariff*

- In July 2025, the US President Donald Trump informed various trading partners of the reciprocal tariff rates, which would be effective from August 7, 2025. For India, the reciprocal tariff was set at 25%.
- Subsequently, on 27 August 2025, the US imposed an additional 25% penalty tariff on Indian imports. This punitive measure was introduced in response to India's continued engagement with Russia, particularly in the oil and defence sectors, despite ongoing Western sanctions.
- This penalty tariff, combined with the earlier reciprocal tariff, brings the total tariff burden on most Indian goods to 50%, making India the most heavily tariffed country globally.
- The tariff announced for India is higher than that for China and all Asian countries, such as Pakistan (19%), Bangladesh (20%), Vietnam (20%), Indonesia (19%), and Japan (15%). This can potentially weaken India's position as a preferred sourcing destination.

Annexure II

EXHIBIT: Product categories for which exports to the US form a major share (>=5%) in total exports of India (by value)

Category	The US's share
Niger seeds	80%
Dairy products	38%
Marine products	34%
Shellac	26%
Milled products	25%
Floriculture products	22%
Cocoa products	21%
Guargum meal	20%
Fruits/vegetable seeds	17%
Cereal preparations	15%
Essential oils	15%
Other oil seeds	14%
Processed fruits and juices	14%
Processed vegetables	14%
Misc. processed items	14%
Spices	13%
Castor oil	10%
Tea	9%
Sesame seeds	9%
Pulses	9%

Category	The US's share
Tobacco manufactured	8%
Vegetable oils	5%
Coffee	5%
Fresh fruits	5%
Auto components/parts	24%
Basmati rice	5%
Cement, clinker and asbestos cement	78%
Agro chemicals	22%
Other miscellaenious chemicals	15%
Organic chemicals	15%
Dye intermediates	13%
Residual chemicals & allied products	12%
Inorganic chemicals	11%
Ceramics and allied products	10%
Dyes	8%
Electric machinery and equipments	19%
Electronics components	51%
Telecom instruments	34%
Electronics instruments	29%
Office equipments	26%

Category	The US's share
Consumer electronics	21%
Computer hardware, peripherals	14%
Cranes, lifts and winches	43%
Other misc. engineering items	31%
Hand tools, cutting tools of metals	28%
Machine tools	24%
Pumps of all types	24%
Railway transport equipments, parts	22%
Industrial machinery for dairy etc	20%
Other construction machinery	18%
Aircraft, spacecraft and parts	15%
Nuclear reactors, industrial boilers, parts	11%
Electrodes	8%
Fertilisers crude	15%
Footwear of leather	19%
Footwear of rubber/canvas etc.	6%
Products of iron and steel	28%
Other non ferrous metal and products	25%
Prime mica and mica products	24%
Nickel, products made of nickel	13%

Annexure II

EXHIBIT: Product categories for which exports to the US form a major share (>=5%) in total exports of India (by value)

Category	The US's share
Copper and products made of copper	13%
Aluminium, products of aluminium	12%
Processed minerals	6%
Petroleum products	7%
Plywood and allied products	43%
Sports goods	35%
Moulded and extruded goods	32%
Leather goods	32%
Glass and glassware	29%
Saddlery & harness	26%
AC, refrigeration machinery etc	15%
Other plastic items	48%
Books, publications and prntng	28%
Ayush and herbal products	28%
Packaging materials	26%
ATM, injecting moulding machinery etc	26%
Other rubber products except footwear	23%
Coir & coir manufactures	21%
Plastic sheet, film, plates etc	21%
Stationary/office, school supply	19%

Category	The US's share
Granite, natural stone and products	19%
Optical items (incl.lens etc)	18%
IC engines and parts	18%
Paper, paper board and product	14%
Other commodities	11%
Other wood and wood products	10%
Cosmetics/toiletries	9%
Project goods	8%
Plastic raw materials	7%
Bicycle and parts	5%
Accumulators and batteries	5%
Drug formulations, biologicals	37%
Medical and scientific instrum	16%
Surgicals	13%
Pearls, precious, semiprecious stones	35%
Gold and other precious metal jewellery	25%
Other precious and base metals	13%
Silver	9%
Carpet handmade	60%
Silk carpets	47%

Category	The US's share
Floor covering of jute	45%
Handicrafts excluding handmade carpets	40%
Cotton fabrics, madeups etc.	39%
RMG of other textile materials	36%
RMG of cotton incl. accessories	33%
Other textile yarn, fabric madeups articles	31%
Handloom products	29%
RMG of manmade fibres	28%
Jute hessian	25%
RMG of wool	19%
Leather garments	19%
RMG of silk	18%
Natural silk yarn fabrics madeups	16%
Manmade yarn fabrics madeups	15%
Other jute manufactures	11%
Woollen yarn,fabrics,madeups etc.	5%
Auto tyres and tubes	18%

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Thank You!