



**India-US trade deal**

- **The US has decided to reduce the reciprocal tariff on Indian goods to 18%** from the earlier 50%. The trade deal is structurally positive for India's medium-term growth and external stability. Improved market access and tariff certainty are likely to boost exports, support manufacturing investment, and strengthen inflows of foreign direct investment (FDI). Over time, this should help narrow the current account deficit, stabilise the rupee, and reduce India's vulnerability to global shocks.
- **India-US trade relations are entering a constructive phase** after a period marked by tariff disputes, regulatory frictions, and global supply-chain realignments. With both economies seeking to de-risk supply chains, counter China-centric dependencies, and deepen strategic ties, the proposed US-India trade deal is shaping up as a pivotal catalyst.
- **For India, the deal aligns well with its manufacturing push (PLI schemes)**, export diversification strategy, and ambition to move up the global value chain. For the US, India offers a large, reliable market and a strategic manufacturing alternative in critical sectors.
- **For equity markets, the deal enhances earnings visibility, supports valuation re-rating—particularly for export-oriented and capex-linked sectors—and reinforces India's positioning as a relatively safe haven among emerging markets.**
- **Investment View:** The US-India trade deal should be seen as a **medium-term structural positive rather than a short-term trigger**. Sustained execution could meaningfully enhance India's export competitiveness, manufacturing depth, and global integration. Investors should focus on **companies with strong US exposure, scalable manufacturing capabilities, regulatory compliance strength, and balance-sheet resilience** to fully capture the opportunity.
- **The US-India trade deal is particularly positive for export-oriented sectors with meaningful exposure to the US market. Sectors such as textiles, chemicals, pharmaceuticals, auto ancillaries, IT services and select industrials stand to benefit from improved market access, tariff rationalisation and greater supply-chain certainty. Over time, higher order inflows, better capacity utilisation and improved earnings visibility could support sustained growth and valuation re-rating for these sectors.**

- ✓ **Top Positive Plays (Coverage):** Dr Reddys Laboratories, Lupin, Aurobindo Pharma, Aarti Industries, Pitti Engineering, Kirloskar Brothers, Welspun Living, Sansera Engineering, Steel Strip Wheels, Infosys, HCL Tech, LTI Mindtree.
- ✓ **Top Positive Plays (Non Coverage):** Sun Pharma, Divis Lab, KPR Mill, Gokaldas Export, Indo Count Industries SRF Ltd, UPL Ltd, Bharat Forge, Samvardhana Motherson, Dixon Technologies, Syrra SGS Technology, Sona BLW, LT Foods, Avanti Feeds Ltd.



## **Impact on Sector**

**Winners:** Lupin, Aurobindo, Dr Reddy, Sun Pharma

**Losers:** None



### India-US Trade Deal Announcements

- The reduction in reciprocal tax from 25% to 18% is incrementally positive for Indian pharmaceutical companies with meaningful exposure to the US market, which contributes ~30–40% of sector revenues. The 700 bps cut lowers landed-cost pressure on exports and improves price competitiveness in the structurally price-erosive US generics market.
- On a quantified basis, assuming a ~35% US revenue mix, the tariff reduction could translate into a ~100–200 bps improvement in consolidated EBITDA margins, depending on product mix and the extent of pass-through. Given that a 100 bps EBITDA margin improvement typically results in a 6–8% EPS uplift, we believe this could result in an overall 8–10% EPS upside for US-focused generic players.
- Lower tariffs are expected to reduce US landed prices by ~5–7%, helping offset the ongoing 3–5% annual price erosion in the US generics market. This should support volume traction, improve tender outcomes, and aid margin retention in specialty and complex products.
- CDMO and API players are indirect beneficiaries, with improved order visibility and better contract economics; however, the impact is likely to be relatively moderate given the prevalence of cost-plus pricing structures.
- Overall, while the reciprocal tax remains above historical norms, the revision to 18% materially softens margin and earnings headwinds for Indian pharma exporters, improves FY27–28E earnings visibility, and provides near-term valuation support, particularly for US-exposed names such as Dr Reddy's, Aurobindo Pharma, Lupin, Cipla, Sun Pharma, Zydus Lifesciences, and Divi's Labs.

### Our View



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## Chemicals & Midcaps – Positive

India-US Trade Deal

**Winners:** Aarti Industries (Coverage) Vinati Organics, Welspun Living, Gokaldas Exports, KPR Mill, Pearl Global  
(Non Coverage)

**Losers:** None



### India-US Trade Deal Impact

- **Margin Expansion:** Most companies have been "absorbing" a portion of the 50% tariff to stay competitive. Halving the tariff allows them to drop their prices slightly to gain volume while still keeping a larger slice of the profit.
- **Operating Leverage:** With export volumes expected to recover by 20–25% following a tariff ease, factory utilisation rates will rise, spreading fixed costs over more units.
- **China-Plus-One Strategy:** If tariffs on China remain high, Indian firms gain a massive structural advantage in the North American supply chain.
- **Rupee Stability and Lower Input Costs:** Easing trade tensions are likely to support the INR and improve availability of key raw materials, reducing the cost of imported raw materials (like specialised crude derivatives for chemicals).

### Our View



- **Positive** for **Chemical companies like Aarti Industries (Coverage) UPL Ltd, SRF, Vinati Organics, Gujarat Fluorochemicals (Non coverage)** which have significant direct exposure to the US market
- **Positive** for **Textile companies like Welspun Living (Coverage) Gokaldas Exports, Pearl Global Industries, KPR Mill, Arvind, Vardhman Textiles, Kitex Garments, and Indo Count Industries (Non coverage)** which are dependent on the US market for the majority of their revenue.
- **Positive** for other **midcap companies like Praj Industries, Pitti Engineering, and Kirloskar Brothers**, which have significant direct or indirect exposure to the US market.

**Winners:** Steel Strips Wheels Ltd, Sansera Engineering Ltd

**Losers:** None



### India-US Trade Deal Announcements

- The moderation in reciprocal tariffs to 18% represents a meaningful tailwind for Indian automobile exporters, particularly auto component manufacturers, for whom the US remains a key end market contributing ~25-30% of export revenues. The sharp rollback in duties materially reduces export friction, enhances cost competitiveness, and strengthens India's role in global OEM sourcing, while the benefit for vehicle OEMs remains comparatively limited due to low direct exports.
- The tariff reduction is expected to lower effective US import costs by ~6-8%, improving bid competitiveness and supporting incremental volume gains, better customer retention, and higher plant utilisation, especially in engineered, precision, and value-added components.
- Auto ancillary companies are positioned to capture a larger share of the benefit versus vehicle manufacturers, given higher export intensity, contractual supply arrangements, and minimal reliance on end-market pricing actions, whereas OEM gains are constrained by regulatory entry barriers and distribution economics.
- Overall, while tariffs remain above long-term averages, the downward revision materially alleviates profitability and earnings pressures, improves FY27-FY28 earnings confidence, and supports valuation comfort for US-linked automobile exporters, with the impact skewed decisively towards the auto ancillary segment.

### Our View



#### Coverage

- **Positive:** Steel Strips Wheels Ltd, Sansera Engineering Ltd.
- **Non-Coverage:**  
**Positive:** Tata Motors Ltd, Bharat Forge, Sona BLW

**Winners:** Infosys, TCS, HCLTech, Wipro, LTIMindtree, Tech Mahindra

**Losers:** None



### India-US Trade Deal Announcements

- The freshly announced US-India trade deal significantly reduces the tariff burden. The Indian IT sector is well positioned to emerge as indirect beneficiary of the deal.
- The Indian IT companies are heavily tied to U.S. client budgets with a large share of revenues coming from technology outsourcing, cloud services, digital transformation, and consulting contracts. Lower trade tensions and tariff reductions improve confidence among U.S. clients to engage Indian IT firms, easing negotiations on large and multi-year outsourcing deals.
- Companies which saw de-rating during periods of tariff and policy uncertainty, could see renewed investor confidence as geopolitical risk premiums fade.
- Overall, the easing of reciprocal tariff concerns will increase US spending, reflecting some earnings expansion, though at a gradual pace over the coming quarters. This is particularly positive for the Indian IT space.

### Our View



- The deal agreement will create an ease environment, support investor confidence, and increase the probability of stable US corporate spending, all of which are sentimentally supportive for Indian IT companies. However, this impact is largely sentimental in nature as revenues will ultimately depend on core drivers such as US IT demand, client spending behavior and visa-related costs.

## EMS Sector – Positive (Non Coverage)

*India-US Trade Deal*

**Winners:** Dixon Technologies, Syrma SGS, Avalon Technologies and other EMS companies

**Losers:** None



### India-US Trade Deal Announcements

- Electronics manufacturing services stand out as a key beneficiary. With tariff support and supply-chain realignment, India could gain share in smartphone assembly, semiconductors (OSAT), and electronics components. This reinforces the PLI-led manufacturing cycle and supports both listed EMS players and ancillary suppliers.

### Our View



- **Positive** : Dixon Technologies, Syrma SGS, Avalon Technologies

**Winners:** Overall Mixed

**Losers:** None



## India-US Trade Deal Impact

- **Positive impact and export opportunities**– Export-oriented Indian FMCG businesses stand to gain substantially from reduced tariffs, improved market access and enhanced competitiveness in foreign markets.
- Lower tariffs directly improve the price competitiveness and margins of India products on foreign shelves, helping them move from niche ethnic brands to more mainstream players. For instance-improved trade relations could ease tariffs on agri-commodities (edible oils, pulses, packaging inputs), supporting gross margins for food FMCG players.
- **Increased competition in the Domestic Market**- The deals also mean that Indian-based FMCG companies will face sharper competition from cheaper, high-quality imported goods in the domestic market, especially in premium segments. Domestic brands positioned in the mid-to-premium segment will face pressure on pricing power and need to invest in upgrading product quality and branding to retain market share. Further, easier access for US brands may increase competition in select categories (nutrition, packaged foods).

## Our View



- India's trade deals with US are expected to have a mixed but significant impact on the FMCG industry.
- For FMCG categories, the impact varies based on a company's positioning—whether it is export-oriented, import-dependent, or primarily a domestic player competing for shelf space.
- **Relatively Positive:** Nestle India, ITC, Tata Consumer, Dabur (Export exposure)
- **Neutral:** HUL, GCPL (largely domestic, limited US linkage)

**Winners:** No clear Winners; however, a reduction in tariffs leads to improvement in overall industrial production, which indirectly benefits metal and steel companies.

**Losers:** None



### Impact of India-US Trade Deal Announcements

- Section 232 tariffs on steel and aluminium are separate and remain in force. These US national security-based tariffs apply to steel and aluminium products, which operate outside bilateral trade deals, hence no major impact on Metals and Mining companies in India. Furthermore, India's steel exports to the US are not material.
- Trade deal with India does not materially alter global steel or metal (non-ferrous or precious metal) pricing. Indirect positive impact is via increased demand for processed/engineered metal products, which supports domestic metal demand.
- Major Line Pipe companies such as Welspun Corp, Jindal SAW, APL Apollo Tubes, and Maharashtra Seamless do not have major direct US export exposure. However, a reduction in tariffs could lead to positive sentiment over export opportunities.

### Our View



- **Neutral to Mild Positive:** India - US trade deal is largely neutral for Metals and Mining companies. The positive bias would be due to an increase in industrial and processed engineering material production, largely due to a reduction in tariffs.
- **Neutral:** Welspun Corp has operations in the US, which insulates it from US tariffs; a reduction in tariffs will not have any direct positive impact on the company's financials.
- **Mild Positive:** JSAW has a strong presence in the overseas market, and most of the exports take place in the MENA region and Latin American countries. JSAW is also looking to add more customers in different territories.

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