

RECIPROCAL TARIFFS

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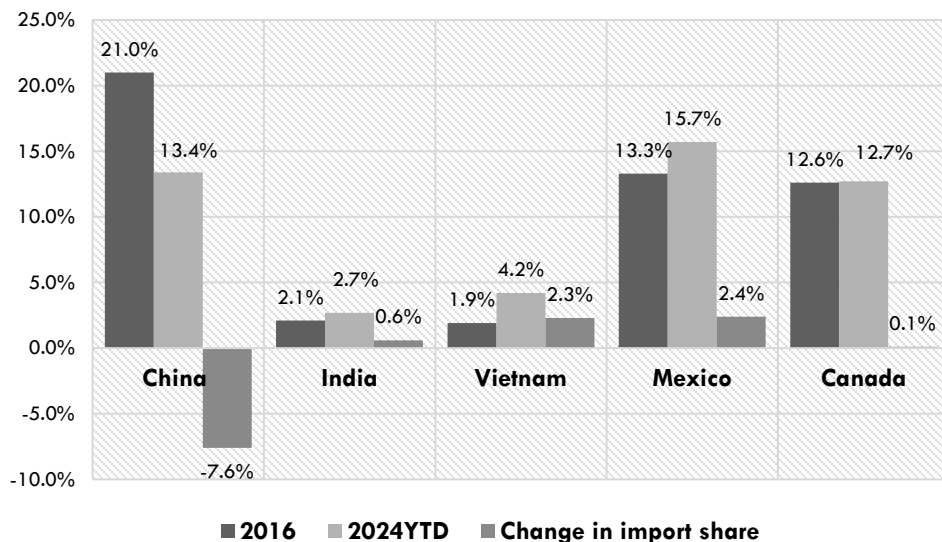
SUMMARY OF RECIPROCAL TARIFFS BY US

Country	Tariffs Charged to the U.S.A.	U.S.A. Discounted Reciprocal Tariffs	Trade Deficit / U.S. Imports (Min 10%)
China	67%	34%	67%
European Union	39%	20%	38%
Vietnam	90%	46%	91%
Taiwan	64%	32%	64%
Japan	46%	24%	46%
India	52%	26%	52%
South Korea	50%	25%	50%
Thailand	72%	36%	72%
Switzerland	61%	31%	52%
Indonesia	64%	32%	64%
Malaysia	47%	24%	46%
Cambodia	97%	49%	97%
United Kingdom	10%	10%	10%
South Africa	60%	30%	59%
Brazil	10%	10%	10%
Bangladesh	74%	37%	73%
Singapore	10%	10%	10%
Israel	33%	17%	33%
Philippines	34%	17%	34%
Chile	10%	10%	10%
Australia	10%	10%	10%
Pakistan	58%	29%	59%
Turkey	10%	12%	10%
Sri Lanka	88%	44%	88%
Colombia	10%	10%	10%

- **Baseline Tariff:** A 10% tariff will be imposed on all imports into the U.S. starting April 5, 2025, aiming to boost domestic manufacturing.
- **Automobile Tariffs:** A 25% tariff will be applied to all imported cars to protect U.S. auto manufacturers.
- **Exemptions:** Canada and Mexico are currently exempt due to trade agreements.
- **Reciprocal Tariffs:** These will go into effect on April 9, 2025.

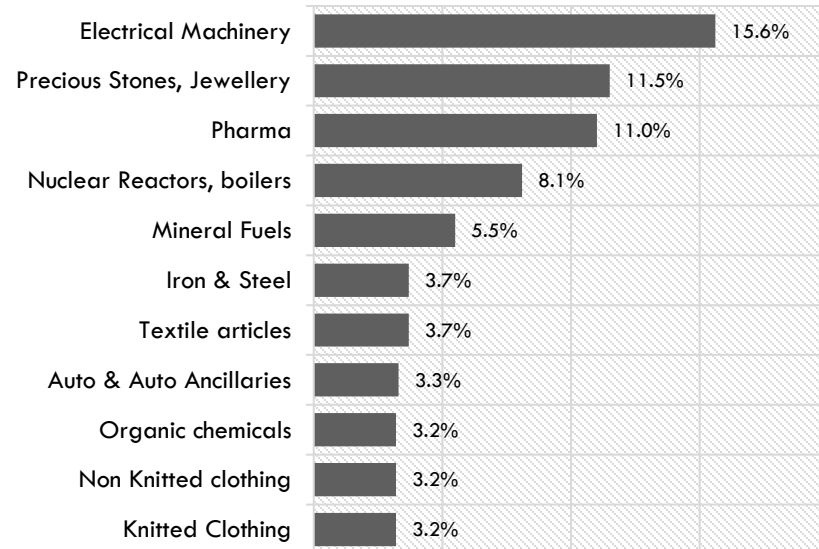
EXPOSURE TO US MARKET

Goods import as a % of total imports to the USA



Source: WTO Moneycontrol

India's mix in the Exports to the US



Source: WTO Moneycontrol

Higher tariffs for Vietnam, Bangladesh and some of the ASEAN nations can benefit Indian exporters in sectors such as textiles, footwear and electrical machinery

IMPLICATIONS OF US TARIFF ON INDIA

Impact on key sectors

Agriculture & Sea Food

- The hardest-hit sector in agriculture would be fish, meat, and processed seafood, with \$2.58 billion in exports in 2024, facing a 27.83% tariff differential
- Tariffs could increase prices, making Indian seafood less competitive compared to products from other exporting nations.
- Avanti feeds

Liquor, Meat and Sugar

- The highest tariff hike at 122.10% on alcohol, wines and spirits will come into effect, although exports are only USD 19.20 million.
- Similarly, for dairy products (trade worth USD 181.49 million), the tariff hike of 38.23 per cent will lead to higher prices in the US market, reducing competitiveness and affecting export volumes in these sectors.
- United Sprits, Shree Renuka Sugars Ltd.

Gems & Jewellery

- The U.S. is a key buyer of Indian diamonds and jewellery, and tariffs could lower demand.
- Cut and polished diamonds accounted for 57% of India's total gems and jewellery exports to the US in FY24
- Goldiam International, Titan, Rajesh Exports, Vaibhav Global

Engineering Goods

- Increased costs for machinery and components exported to the U.S., impacting margins.
- Bharat Forge, Larsen & Toubro (L&T), ABB India

IMPLICATIONS OF US TARIFF ON INDIA

Impact on key sectors

Textiles and Apparels

- The US accounts for approximately 28% of India's textile exports
- The proposed tariffs could make Indian apparel less competitive, potentially leading to a decline in export volumes
- Given that textiles contribute only 2% to India's gross domestic product (GDP), compared to 11% for Bangladesh and 15% for Vietnam, the impact on India's overall economy may be milder.
- Raymond, Arvind Fashion, Welspun Living etc.

Chemicals

- The chemicals sector is expected to face a negative impact, with Navin Fluorine (25% revenue exposure), PI Industries (20%), and SRF (7%) directly affected by the higher tariffs.

Footwear

- Footwear exports worth \$457.66 million face a 15.56% tariff gap, further straining India's competitiveness in the global market.
- This substantial tariff could make Indian footwear significantly more expensive in the U.S. market, leading consumers to opt for alternatives from other countries, thereby impacting Indian manufacturers and exporters
- Mirza international, Bata India, Relaxo Footwear etc.

Automobiles

- The automobile sector, which contributes around 3% of India's total exports to the U.S., is expected to face demand pressures
- The new tariff could impact companies like Sona BLW Precision Forgings, which derives 40% of its revenue from the U.S. market, while Bharat Forge gets around 30%, and Motherson Group around 18%.

EXEMPTED SECTORS BUT HAVING SIGNIFICANT EXPOSURE TO US MARKET

Pharmaceuticals

- Indian pharmaceutical products have been spared from the new tariffs, recognizing their critical role in providing affordable medicines.
- Sun Pharmaceutical, Dr. Reddy's Laboratories, Cipla, Biocon, Lupin, Glenmark Pharma, Zydus Lifesciences

Semiconductors

- This exemption aims to support the technology sector and maintain the supply chain of essential electronic components.

Copper

- Copper imports from India are not subject to the new tariffs, facilitating continued trade in this essential industrial metal.

Energy Products & Certain Minerals

- Specific energy commodities and minerals, particularly those not readily available in the U.S., have been excluded from the tariffs to ensure energy security and resource availability.

CONCLUSION

- India's import of ~3% is minimal compared to others for US
- More retaliation on tariff may come from other countries
- Discounted reciprocal tariff to benefit India
- Any alteration in policy to impact adversely to exempted sectors
- Moderation in policy can be expected in the coming months

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