

Progress alongside Revisions - India-US Interim Trade Deal

16th February 2026

Since our initial note on the 5th of February, 2026, titled “[Headline Optimism, Fine-Print Risks](#)” there have been further developments on the India-US trade deal front, with both sides announcing an Interim trade deal on the 9th of February, 2026.

This was announced on the US [White house website](#) as well as the [Press Information Bureau of India \(PIB\)](#). When this deal was initially announced, there was a lot of uncertainty behind **India purchasing USD 500 Bn worth of US exports**, since India’s Imports from the US totalled USD ~330 Bn for the period 2017-2025 (Cumulative).

The Indian Union minister stated, “[India will have no problem in purchasing goods worth USD 500 Bn from the US in the next 5 years.](#)” – This needs to be seen in what shape and form this commitment will be fulfilled.

Change in the White House commentary:

We have to take US announcements with a pinch of salt, especially with the current administration under President Trump – as they have **now changed their wording of the trade deal significantly**. The initial Factsheet issued by the White house stated India had ‘**committed**’ to purchase USD 500 Bn worth of US exports. This has now changed from a commitment to an ‘**intention**’. Below is a snippet of the official updated factsheet:

India **intends** to buy more American products and purchase over \$500 billion of U.S. energy, information and communication technology, coal, and other products.

Additionally, the updated factsheet **removed any mention of Indian pulses** – indicating they are not part of any negotiations. Furthermore, since India never agreed to the outright removal of digital services taxes on US products, the **White house has removed the statement from their revised factsheet**, and this statement is revised to India being **open to negotiation**:

India **committed to negotiate** a robust set of bilateral digital trade rules that address discriminatory or burdensome practices and other barriers to digital trade.

Nevertheless, we look at this Interim trade deal to be favourable to a lot of Indian sectors which were struggling because of tariff-related tensions.

Trade deal Impact Summary:

Sector	Tariff Outcome	Section 232 Status	Overall Impact
Generic Pharma	Exempt	Negotiated pathway	☑ Net Positive
Gems & Jewellery	0% Tariff	Exempt	☑ Net Positive
Aircraft Parts	0% Tariff	Exempt	☑ Net Positive
Auto Components	Preferential TRQ	Reduced vs 25%	+ Moderately Positive
Textiles & Apparel	50% → 18%	Reciprocal regime	☑ Net Positive
Leather & Footwear	50% → 18%	Reciprocal regime	☑ Net Positive
Organic Chemicals	50% → 18%	Reciprocal regime	+ Moderately Positive
Plastic & Rubber	50% → 18%	Reciprocal regime	+ Moderately Positive
APIs	Negotiated exemption path	Case-by-case	+ Moderately Positive
Home Decor	50% → 18%	Reciprocal regime	☑ Net Positive
Engineering Goods	18% (if not exempt)	No zero path	⚠ Struggling
Marine Products	18–50%	No specific relief	⚠ Struggling
Steel/Aluminum	25%+	Section 232 intact	✘ No Relief
Agriculture/Dairy	No Change	No US access	-

- ➔ Section 232 is a specific provision of the U.S. Trade Expansion Act of 1962. It is essentially a "National Security" clause that allows the U.S. President to impose tariffs on imports if the Department of Commerce finds that those imports threaten to "impair" American national security.
- ➔ For Auto components, under the Tariff Rate Quota (TRQ), [there will be some auto components \(~50%\) which will attract zero duty, while others will face the 18% tariff](#) – as confirmed by Union Minister Piyush Goyal
- ➔ For Engineering goods, as a lot of the Raw metals/basic bars fall under the scrutiny of Section 232, [these items still face high duties if they're not exempt from the clause](#)

Detailed Breakdown of the most-impacted sectors:

Generic Pharma:

Metric	Data
India Total Pharma Exports (FY25)	\$30.4Bn
US Share	~\$9.8Bn (~30%)
Tariff status	Exempt
Section 232 status	Negotiated outcome (no blanket tariffs)

- While the sector remains subject to the ongoing US Section 232 national security investigation – authorizing the Commerce Secretary to assess import impacts – **India and the US have secured a "Negotiated Outcome" instead of immediate blanket tariffs.**

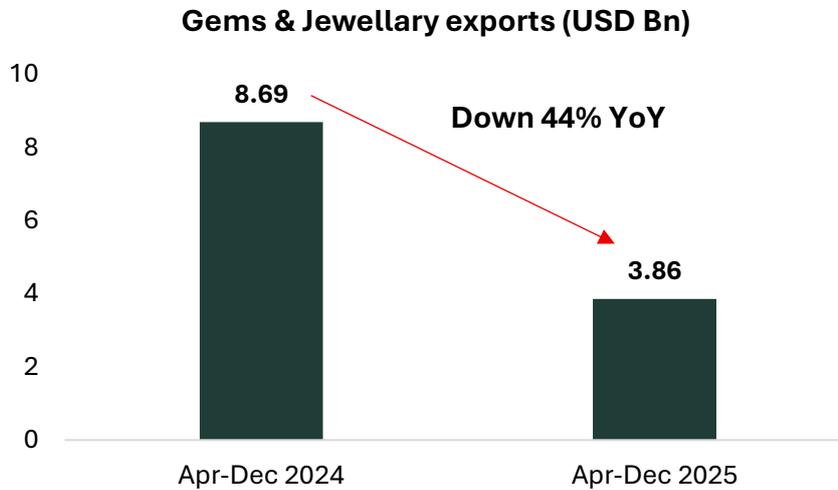
There is now **meaningful volume upside** – which will help India defend and **grow its market share** v/s Mexico and other Eastern European competitors.

Overall → Net Positive



Gems & Jewellery:

- The USA accounted for ~30% of India’s FY2024-25 exports of Gems & Jewellery. This segment suffered significantly due to the US tariffs



Source: GJEPC India

- This trade deal announced Gems & Jewellery to be completely exempt from Tariffs by the US.
- This improves Indian companies’ competitiveness vis-à-vis China, Thailand etc.

Overall → Net Positive

Aircraft parts:

- Aerospace & Industry is a growing industry in India. Boeing and Airbus are both planning to increase sourcing from India in the coming years. Boeing officials have also talked about doubling their sourcing from India.
- Zero tariffs, coupled with exemption from Section 232, represent a significant positive for the sector.
- We have recently recommended positioning **into a direct equity idea which** caters to this opportunity

Overall → Net Positive

Auto Components:

Metric	Data
Exports (FY25)	\$22.9Bn
US Share	25–30%
Tariff status	Preferential TRQ (below 25%)
Ceiling	Not yet defined

- India’s exports to US accounts for 25-30% of its total exports. By placing India in the preferential Tariff Rate Quota, Indian exporters will get reduced tariffs compared to the 25% under Section 232.



- The maximum quantity/value (ceiling) of Indian auto parts that qualify for this preferential rate has **not been specified yet**. We can expect this when the final Trade deal is announced.
- This benefit is skewed towards higher value-added components and suppliers which are already integrated within the US ecosystem.

Overall → Moderately Positive

Textiles & Apparel:

Metric	Data
Total Exports (FY25)	\$36.6Bn
US Share	\$10–10.5Bn (~28–33%)
Tariff status	50% → 18%

- US is the single largest export market for the sector.
- The US leads due to strong demand for ready-made garments (RMG), which account for ~USD 16 bn of total apparel exports, with the US contributing roughly one-third.
- Under the reciprocal tariff regime, **duties drop from up to 50% to 18%**, restoring competitiveness vs Vietnam/Bangladesh (*we believe the developments are still in the early days*).
- This **aids margin recovery** and **supports volume growth** in a labour-intensive sector.

Overall → Net Positive

Organic Chemicals:

Metric	Data
India Total Chemical exports FY25 (excl. pharma)	~\$30Bn
US Share of total organic chemical imports	~\$2.56Bn
Tariff	50% → 18%
US Share of Global Organic Exports	~13%

- India’s organic chemical exports to the US reached ~USD 2.56 Bn
- The US is the top destination (~13% of India’s global organic chem exports)
- Reciprocal tariff regime cuts duties to 18% from up to 50%, easing margin pressure from oversupply/tariffs.
- Upside for high-value specialties (e.g., dicamba, sorbitol), though the sector can face regulatory hurdles.

Overall → Moderately Positive



Further, there are some major sectors which don't see any benefits/reliefs as well:

Engineering Goods (Partial Exposure):

- Non-covered machinery/electrical equipment (~USD 20-25 bn to US) face 18% tariffs if not exempted; with possibility for 20-30% volume drop.
- The sector is vulnerable to competition from Vietnam/Mexico; as it doesn't have any TRQ/zero duty path.

Overall → Struggling

Steel/Aluminium & Passenger Vehicles:

- Section 232 intact (25%+); auto OEMs (not just components) face separate duties.
- ~USD 2-3 bn exposure; no deal mention.

Overall → No Relief

Further, some sectors still remain protected

Agriculture & Dairy (Fully Protected by India, No Relief for US Exports):

- Sensitive items like meat/poultry/dairy, wheat/rice/maize/millet, pulses (green peas), fruits (bananas/strawberries/citrus), soy/oilseeds, ethanol/tobacco excluded from concessions.
- India imports limited US agriculture (e.g., 5L tonnes DDGS quota at concessional duty), but no broad tariff cuts—protects farmers but limits US access. Overall → No Relief (India's exports minimal anyway)

There are also some major questions which are unanswered:

- How will India's narrative with Russia play out? It is highly doubtful that India will completely stop importing Russian oil (**as Russia is currently India's largest crude oil supplier**), but it seems this could be used as a lever of negotiation by the US time-to-time.
- **Services:**

Segment	Relevance
IT Services	Largest Indian export to US
Consulting / BPM	Sensitive to visa & data rules
Financial Services	Cross-border regulatory alignment
Digital Trade Rules	Data localisation / cross-border data

India-US trade is very services heavy – and **since clarity is awaited** on visa/talent mobility and digital trade frameworks, this can turn out to be a challenging for an already struggling sector (with the recent AI developments [Anthropic] pushing it further down).



- **Energy & Defence:**

If India were to buy USD 500 Bn from US within the next 5 years, our dependence on the US would increase substantially. Further, there are no specifics on defence equipment procurement guidelines as well.

- **Macro Narrative can possibly shift**

Variable	Potential Impact
Higher US imports	Likely CAD pressure
Export gains	Partial offset
Capital flows	Possible FDI improvement

CAD → Current Account Deficit

Overall view:

We reiterate that tariffs don't result in optimal outcomes for either side. But given the context of the tough geopolitical environment, we consider this trade deal to be a positive outcome. However, considering Trump administration's **track record of unexpected policy adjustments**, additional revisions would not be surprising to us.

The sectors which are very likely to benefit outright are Pharma, Gems & Jewellery, Textiles and Aircraft parts. There are a few sectors which didn't have reliefs as well. The US is India's largest trading partner and that is visibly causing a policy shift in the country. India, since 2025, has been involved in 6 major agreements regarding trade – **a strong and active effort to diversify:**

Agreement	Status & Timing
India–United Kingdom FTA	Signed July 24, 2025
India–Oman CEPA (Comprehensive Economic Partnership Agreement)	Signed Dec 18, 2025
India–New Zealand FTA	Concluded Dec 22, 2025
India–EFTA TEPA (Trade & Economic Partnership Agreement)	Took effect Oct 1, 2025
India–EU Free Trade Agreement	Concluded Jan 27, 2026
India-Gulf Cooperation Council (GCC) FTA	Started Negotiations in Feb-26

As an investment opportunity, we are positive on Manufacturing, Energy, Capital goods, select Consumption and select Healthcare. Irrespective of the Trade deal, these sectors look well placed as India moves to diversify and grow its trade. This deal may have additional positive implications on these sectors.

We reiterate that the current market environment is best to re-organise portfolios for the future.



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