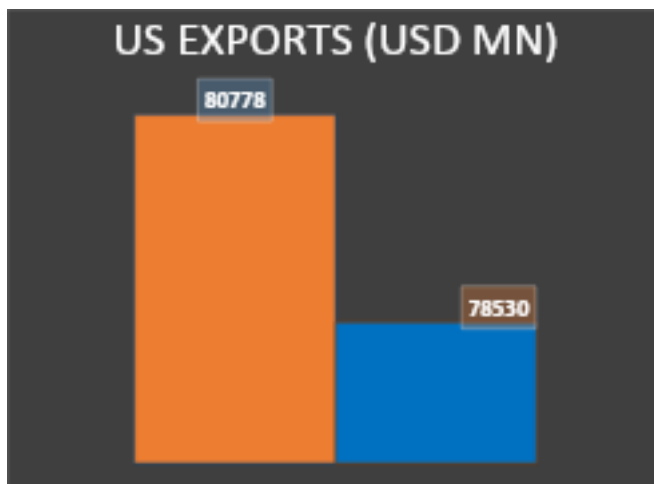


Market Pulse: 15th January 2026

US Tariff Uncertainty vs Ground Reality: India's Exports Are Compounding, Not Cracking

Renewed US tariff rhetoric has once again injected volatility into Indian markets, reviving concerns around export momentum and earnings visibility. Headlines suggest rising friction and deteriorating trade conditions. **The data, however, tells a very different story.** India's exports to the US are not weakening - they are accelerating in quality and are on track to grow in absolute terms as well.

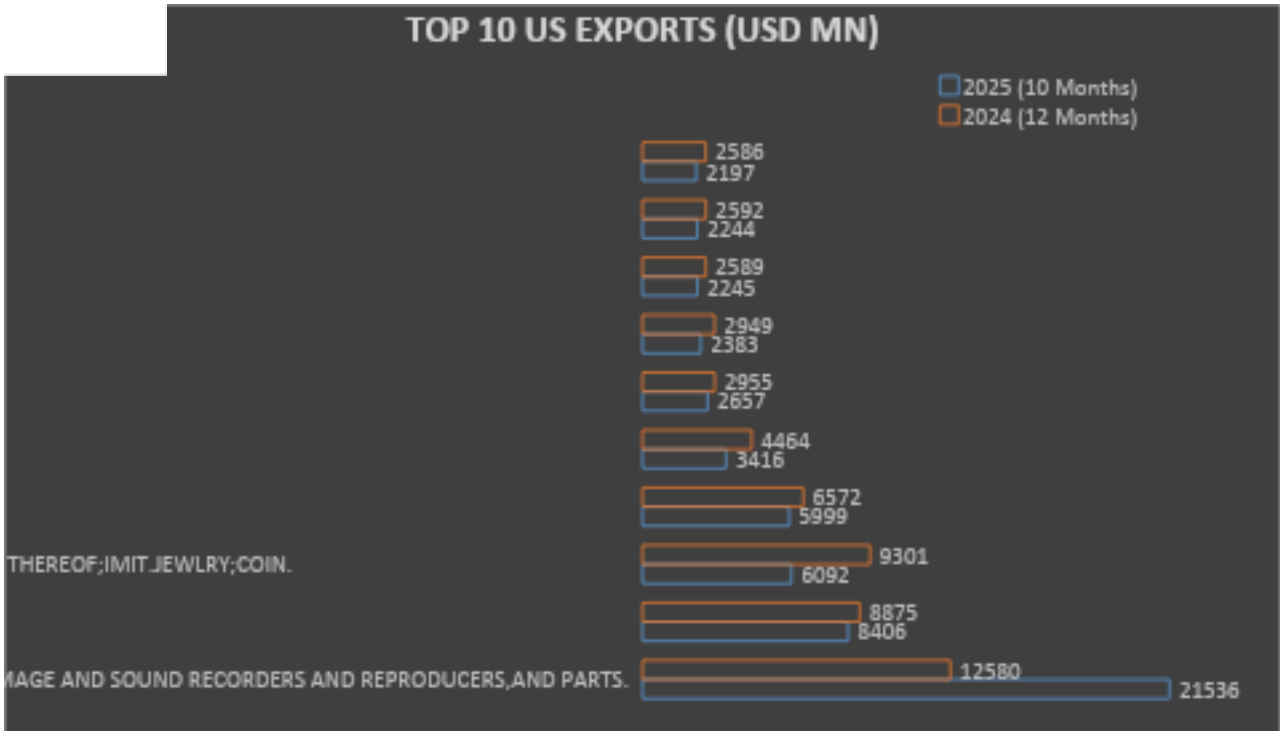
Aggregate Numbers: A Strong Base, Not a Slowdown



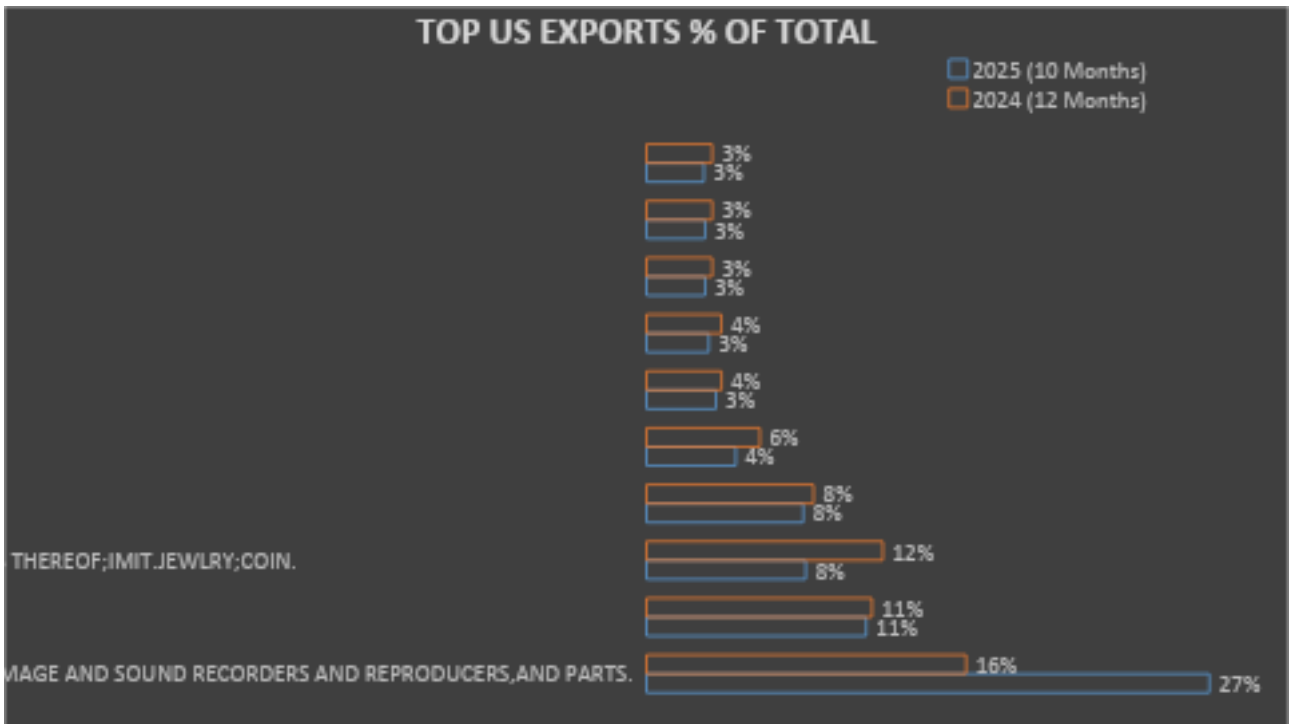
With **10 months of FY2025 exports already within touching distance of the entire FY2024 base**, India is well positioned to comfortably surpass last year's export total, even amid elevated tariff uncertainty. This is an important signal. Rather than demand compression, the data reflects **healthy normalisation and composition**

upgrades, with capital and capacity shifting toward **electronics, precision manufacturing, and regulated sectors** exactly where long-term investors prefer exposure.

Electronics: The Clearest Proof of Structural Momentum



The standout trend in 2025 is the sharp rise in electronics and electrical machinery exports. **US\$21.5bn (Jan–Oct 2025) vs US\$12.6bn (2024) a whopping 71% YoY growth.**



Share of total exports jumped from **16% to 27%**. This surge is not cyclical. It reflects:

- Deepening **China+1 supply-chain realignment**
- India’s growing credibility in scale manufacturing and compliance



ayers prioritising supply resilience over marginal tariff costs

For investors, this matters: electronics is a strategic, geopolitically aligned category where tariffs are least likely to be applied bluntly.

Pharmaceuticals: Quiet Stability in a Noisy Environment

Pharma exports: US\$8.4bn (Jan-Oct 2025), ~11% share of total exports, broadly stable YoY. Despite US pricing pressures and regulatory cycles, pharma exports remain **mission-critical and non-discretionary**, with high switching costs. Stability here acts as a ballast for India's export earnings even during policy uncertainty.

Machinery, Precision & Industrial Goods: Resilience by Design

Several capital and precision segments show steady to improving trends:

- Machinery & mechanical appliances: US\$6.0bn, **marginal -9% YoY**
- Optical, medical & surgical instruments: +14% YoY
- Iron & steel: +26% YoY

These industries benefit from:

- Long replacement cycles
- Embedded supplier relationships
- High customer switching costs

Tariffs may influence margins at the edges, but **they rarely disrupt demand** in these segments.

Where the Weakness Is—and Why It's Manageable

Softness is concentrated in **low value-added, price-sensitive categories**:

- Gems & jewellery (**-35% YoY**)
- Textiles & apparel (**-13% to -19% YoY**)

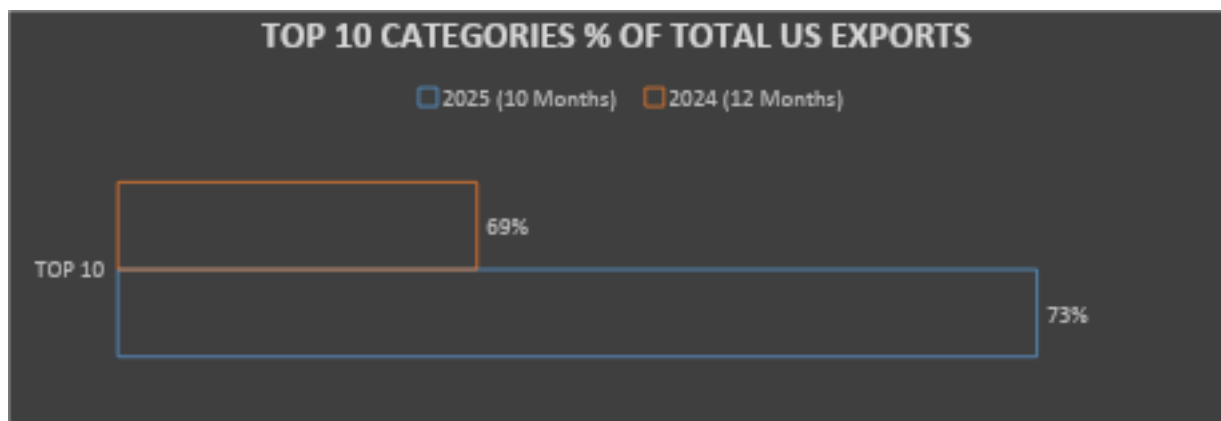
ral fuels (-23% YoY)

Critically:

- These segments are **losing share** in the export basket
- They contribute less to long-term earnings quality
- Listed exporters here are typically diversified and better insulated than MSMEs

This represents a **structural upgrade, not a red flag.**

What the 2025 Data Really Says About Tariffs



Despite persistent tariff uncertainty:

- **Over 70% of India-US exports now sit in high-stickiness, high-value segments**
- The fastest-growing categories are the **least tariff-elastic**
- Export growth is becoming **more resilient and less cyclical**

In short, **tariffs are affecting sentiment far more than cash flows.**

Macro Context Remains Supportive

Global growth is stable rather than expansive, as noted by the **World Bank**, reducing tail risks for exporters. At the same time, India's domestic policy push - PLI, customs rationalisation, logistics upgrades continues to strengthen competitiveness. For the **Reserve**

lia, this backdrop allows a measured, data-driven approach without reacting to every bout of external noise.

Bottom Line

Treat tariff-led volatility as **accumulation opportunities**. Focus on exporters with:

- US exposure **and** market diversification
- Pricing power and regulatory credibility
- Strong balance sheets and scale advantages

Avoid extrapolating stress in low-value segments to the broader export story. The Jan-Oct 2025 export data delivers a clear message: **India's export engine is compounding, not cracking**. With exports already nearly matching last year's full base and momentum concentrated in electronics and precision manufacturing, **India is on track to surpass FY2024 exports despite US tariff uncertainty**. Markets may react to headlines, but fundamentals continue to move decisively in India's favour.

