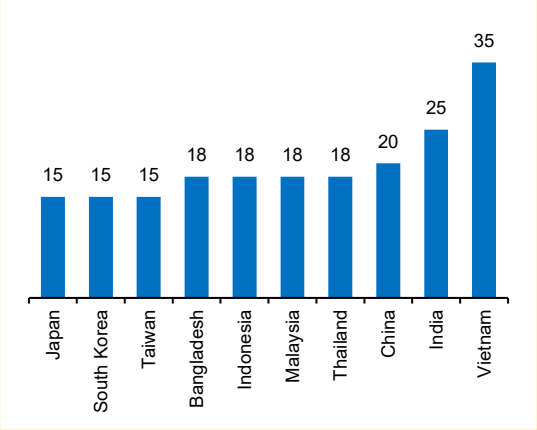
The Tariff as a Bargaining Chip, Not Just a Bill

November 26, 2026

India faces a potentially higher US tariff rate vs its Asian peers



Source: CMIE, Choice Institutional Equities

Our View -

The sanguine reading leans harder on goodwill than it admits. The exemptions blunting the headline rate are a reprieve Washington can withdraw, not a structural shield, and frontloading borrows from future quarters rather than adding to the total. More to the point, a 25% proposal with 17% dangled for a deal is leverage as much as a tariff: it prices the bilateral agreement on US terms before talks conclude, and the real risk is that India trades away genuine market access to shave points off a duty whose effective bite was always going to be smaller. With Section 301 hard to challenge in court and political moderation no more than a hope, the base case can still prove benign, but it rests on terms India does not control.

Key Takeaways -

- The USTR has proposed a fresh Section 301 duty of up to 25% on Indian goods, net of India's existing Section 301 exposure, with the rate falling to 17% if a bilateral trade agreement is reached.
- The hit is relative rather than absolute: India now sits above Bangladesh, Indonesia, Malaysia and Thailand at 18% and above Japan, Korea and Taiwan at 15%, with only Vietnam higher at 35%, reversing the edge India held over most Asian peers in the previous round.
- The effective impact should undershoot the headline, with electronics, pharmaceuticals, energy and the Section 232 lines largely exempt, leaving textiles, gems and jewellery and marine products to bear the strain.
- With the duty unlikely to apply before January 2027, exporters have a window to frontload shipments, and the diversification toward non-US markets seen in the last episode is likely to repeat, though the West Asia conflict complicates that route.
- The rate is a proposal, not a verdict: US tariff fatigue, the late-January 2027 hearings, and above all the bilateral negotiation keep the door open to a lower final number.

US has moved to layer a fresh Section 301 duty of as much as 25% on Indian goods, stripping away the pricing edge India had held over much of Asia, though the rate would ease to 17% should a bilateral trade pact be concluded. We expect the realised burden to fall well short of that headline, since several of India's largest export lines sit outside the measure, while a rush to ship before the duty lands should flatter exports in the near term. The last episode points to renewed market diversification too, even if tensions in West Asia complicate that route. The rate is far from settled: softening US appetite for tariffs and the hearings ahead leave room for it to be pared back, and sealing the trade agreement stays the single most important lever.

The rate is far from settled: softening US appetite for tariffs and the hearings ahead leave room for it to be pared back, and sealing the trade agreement stays the single most important lever.

India surrenders the edge it held over regional exporters

The USTR's proposal spans 14 economies at rates between 15% and 35%, with goods already under Section 232 or named in each country annex carved out. India's ceiling of 25%, applied on top of its standing Section 301 exposure, can fall to 17% under a trade agreement. The damage here is comparative rather than absolute. India now sits above Bangladesh, Indonesia, Malaysia and Thailand at 18%, and above Japan, Korea and Taiwan at 15%, with only Vietnam higher at 35%; China's fresh rate is lower at up to 20% but its total burden stays far heavier once legacy duties are counted. The upshot is a reversal of fortune, with India having carried a lighter rate than several Asian rivals in the previous round and now trailing most of them. Even so, the marginal damage should prove milder than 25% implies, with electronics, pharmaceuticals, energy and the Section 232 lines largely spared.

Why the effective hit undershoots the headline

Three mechanics pull the realised impact below 25%. First, coverage: electronics, pharmaceuticals and energy fall outside the duty, alongside the Section 232 lines, so a large slice of India's US-bound basket is untouched, and it is steel, textiles, gems and jewellery and marine products that bear the strain - low-margin, labour-intensive lines where a duty of up to 25% directly erodes price competitiveness in their largest market.

Purvi Mundhra
Email: purvi.mundhra@choiceindia.com
Ph: +91 22 6707 9241

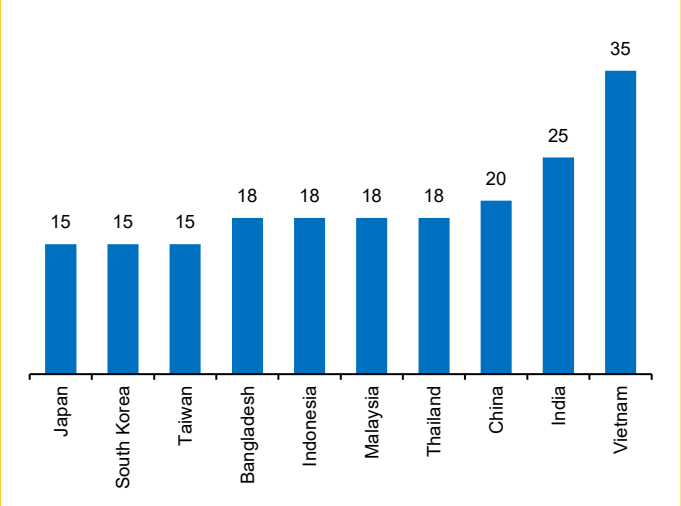
Second, timing: with the duty unlikely to apply before January 2027 at the earliest, exporters have a window to ship ahead, exactly as they did in 2025, when monthly US exports averaged USD 8.6 Bn from February to July against USD 6.5 Bn in the prior half year, growing 15% to 20% YoY. Shipments are already running at a USD 8.4 Bn monthly pace this fiscal year with recent prints above 30%, and a soft base should keep those rates elevated near term. Third, redirection: India leaned on new markets last time, with US-bound sales down 10% from September 2025 to March 2026 even as rest-of-world exports rose 3%, a response we expect to repeat, though the West Asia conflict makes the geography harder to navigate.

The rate is a proposal, not a verdict

Crucially, 25% is a starting bid rather than a settled figure. Tariff weariness is spreading through the US, where recent polling put support for unwinding the measures at 62%, and investor focus has shifted to the AI selloff and the Fed, with these duties adding to the price pressures that complicate the rate outlook. Section 301 is harder to dislodge through the courts or Congress than the earlier IEEPA levies, but the scale of the Republican midterm defeat points to possible softening, and the public hearings in late January 2027 offer a formal channel for it. Above all, the bilateral negotiation is the decisive variable, carrying both the lower 17% rate and the prospect of preferential access to the US market.

Overall, the sanguine reading leans harder on goodwill than it admits. The exemptions blunting the headline rate are a reprieve Washington can withdraw, not a structural shield, and frontloading borrows from future quarters rather than adding to the total. More to the point, a 25% proposal with 17% dangled for a deal is leverage as much as a tariff: it prices the bilateral agreement on US terms before talks conclude, and the real risk is that India trades away genuine market access to shave points off a duty whose effective bite was always going to be smaller. With Section 301 hard to challenge in court and political moderation no more than a hope, the base case can still prove benign, but it rests on terms India does not control.

India faces a potentially higher US tariff rate vs its Asian peers



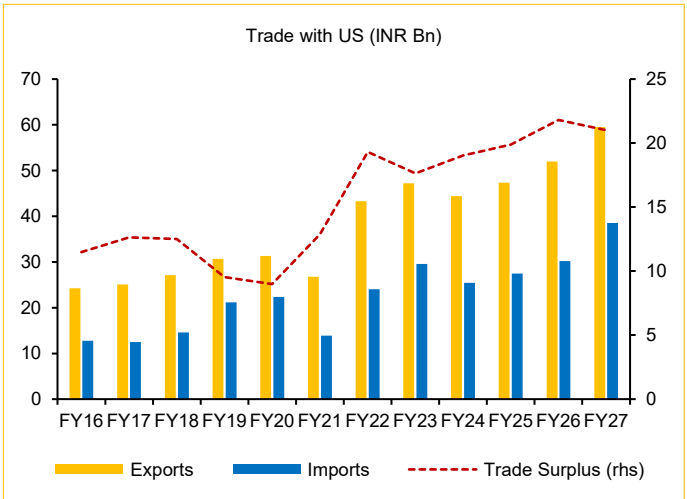
Source: USTR, Choice Institutional Equities

Global Section 232 tariffs remain in place

	Section 232 Tariff Rate
Steel	50%
Aluminium	50%
Copper	50%
Automobiles	25%
Auto Parts	25%
Medium & Heavy trucks	25%
Buses	10%
Lumbar and Wood products	10-25%

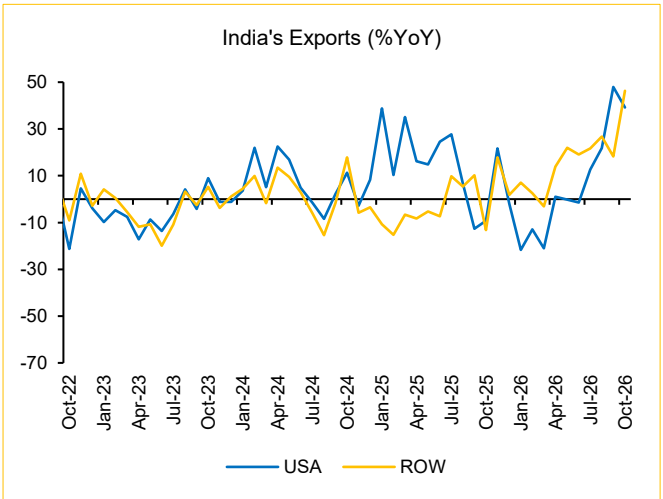
Source: USTR, Choice Institutional Equities

India's trade surplus with the US consistently narrows as imports from the US rise faster than exports



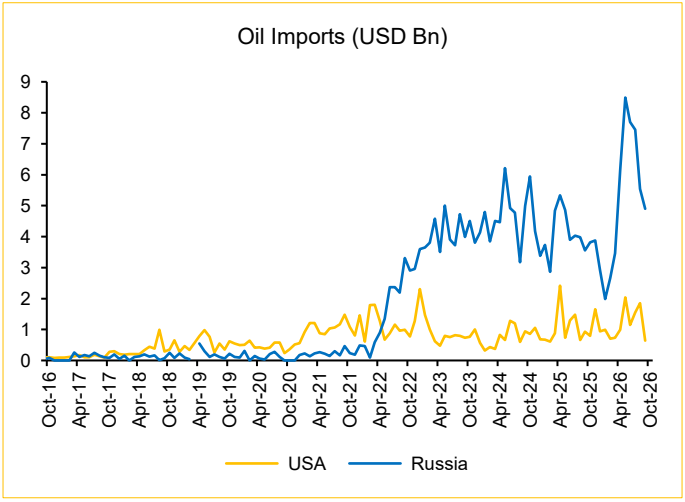
Source: CMIE, Choice Institutional Equities

India's exports to the US has been surging recently



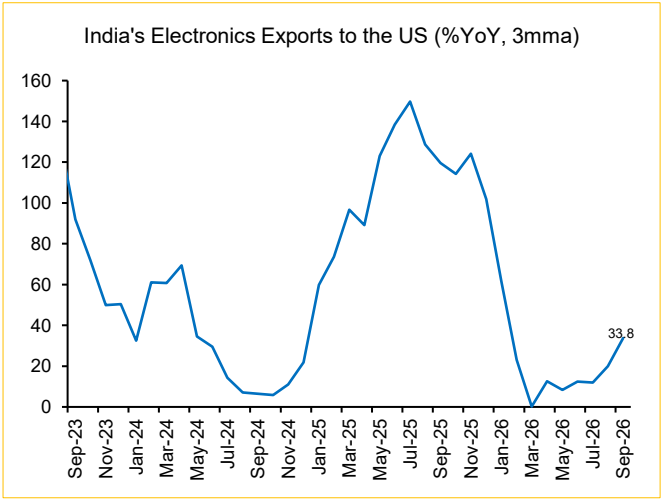
Source: CMIE, Choice Institutional Equities

Oil imports from Russia has fallen sharply while imports from US has also corrected



Source: CMIE, Choice Institutional Equities

Electronics exports remain exempted and is expected to remain supported



Source: CMIE, Choice Institutional Equities

Institutional Research Team			
Utsav Verma, CFA	Head of Institutional Research, India Equity Strategy and SMIDs	utsav.verma@choiceindia.com	+91 22 6707 9440
Purvi Mundhra	Economist	purvi.mundhra@choiceindia.com	+91 22 6707 9241
Ambrish Shah	Analyst - Power	ambrish.shah@choiceindia.com	+91 22 6707 9251
Ashutosh Murarka	Analyst – Building Materials	ashutosh.murarka@choiceindia.com	+91 22 6707 9521
Bhavik Shah, CFA	Analyst – Metals & Mining	bhavik.shah@choiceindia.com	+91 22 6707 9521
Deepika Murarka	Analyst – Healthcare	deepika.murarka@choiceindia.com	+91 22 6707 9513
Dhaval Popat	Analyst – Energy	dhaval.popat@choiceindia.com	+91 22 6707 9949
Ishank Gupta	Analyst – NBFCs	ishank.gupta@choiceindia.com	+91 22 6707 9827
Karan Kamdar	Analyst – Consumer Discretionary, SMIDs	karan.kamdar@choiceindia.com	+91 22 6707 9451
Maitri Sheth	Analyst – Pharmaceuticals	maitri.sheth@choiceindia.com	+91 22 6707 9511
Putta Ravi Kumar	Analyst – Defence	ravi.putta@choiceindia.com	+91 22 6707 9908
Preeyam Tolia	Analyst – FMCG & Retail	preeyam.tolia@choiceindia.com	+91 22 6707 9987
Subhash Gate	Analyst – Autos	subhash.gate@choiceindia.com	+91 22 6707 9233
Vijiya Rao	Analyst – AMC & Insurance	vijiya.rao@choiceindia.com	+91 22 6707 9531
Avi Jhaveri	Sr. Associate – Technology	avi.jhaveri@choiceindia.com	+91 22 6707 9901
Bharat Kumar Kudikyala	Sr. Associate – Building Materials	bharat.kudikyala@choiceindia.com	+91 22 6707 9930
Samarth Goel	Sr. Associate– Small and Midcaps	samarth.goel@choiceindia.com	+91 22 6707 9451
Darshit Vora	Associate – FMCG & Retail	darshit.vora@choiceindia.com	+91 22 6707 9987
Heer Gogri	Associate – Small and Midcaps	heer.gogri@choiceindia.com	+91 22 6707 9433
Heet Chheda	Associate – Autos	heet.chheda@choiceindia.com	+91 22 6707 9233
Prakhar Tibrewala	Associate – SMIDs	prakhar.tibrewal@choiceindia.com	+91 22 6707 9433
Shreya Mehra	Associate – Technology	shreya.mehra@choiceindia.com	+91 22 6707 9535
Stuti Bagadia	Associate – Pharmaceuticals	stuti.bagadia@choiceindia.com	+91 22 6707 9511
Vedanta Bhadani	Associate – Power	vedanta.bhadani@choiceindia.com	+91 22 6707 9251
Vinay Rawal	Associate – Small and Midcaps	vinay.rawal@choiceindia.com	+91 22 6707 9433

CHOICE RATING DISTRIBUTION & METHODOLOGY	
Large Cap*	
BUY	The security is expected to generate upside of 15% or more over the next 12 months
ADD	The security is expected to show upside returns from 5% to less than 15% over the next 12 months
REDUCE	The security is expected to show upside or downside returns by 5% to -5% over the next 12 months
SELL	The security is expected to show downside of 5% or more over the next 12 months
Mid & Small Cap*	
BUY	The security is expected to generate upside of 20% or more over the next 12 months
ADD	The security is expected to show upside returns from 5% to less than 20% over the next 12 months
REDUCE	The security is expected to show upside or downside returns by 5% to -10% over the next 12 months
SELL	The security is expected to show downside of 10% or more over the next 12 months
Other Ratings	
NOT RATED (NR)	The stock has no recommendation from the Analyst
UNDER REVIEW (UR)	The stock is under review by the Analyst and rating may change
Sector View	
POSITIVE (P)	Fundamentals of the sector look attractive over the next 12 months
NEUTRAL (N)	Fundamentals of the sector are expected to be in stasis over the next 12 months
CAUTIOUS (C)	Fundamentals of the sector are expected to be challenging over the next 12 months

***Large Cap: More Than INR 20,000 Cr Market Cap**
***Mid & Small Cap: Less Than INR 20,000 Cr Market Cap**

Disclaimer & Disclosure

Research Disclaimer and Disclosure inter-alia as required under Securities and Exchange Board of India (Research Analysts) Regulations, 2014

Choice Equity Broking Private Limited is a registered Research Analyst Entity (Reg. No. INH000000222) CIN. NO.: U65999MH2010PTC198714. Reg. Add.: Sunil Patodia Tower, J B Nagar, Andheri (East), Mumbai 400099. Tel. No. 022-6707 9999 . Compliance Officer-Prashant Salian. Tel. 022-6707 9999-Ext. 896. Email-Compliance@choiceindia.com. Grievance officer-Deepika Singhvi Tel.022-67079999- Ext-834.

Email- ig@choiceindia.com

The Company uses artificial intelligence tools as part of its research process, including data analysis and content generation. Notwithstanding the foregoing, all analysis, views, and recommendations are independently formulated and duly reviewed by qualified research analysts prior to issuance.

General Disclaimer:

Investment in securities market are subject to market risks. Read all the related documents carefully before investing. Registration granted by SEBI, and certification from NISM in no way guarantee performance of the intermediary or provide any assurance of returns to investors

This report ("Report") is prepared by Choice Equity Broking Private Limited as a Research Entity (hereinafter referred as "CEBPL") in its capacity as a SEBI-registered Research Analyst and is intended solely for informational and educational purposes. This Report is meant exclusively for the recipient and shall not be circulated, reproduced, or distributed, in whole or in part.

This Report does not take into account the specific investment objectives, financial situation, risk profile, or particular needs of any individual or class of investors and does not constitute a personal recommendation or investment advice. Any views, opinions, or recommendations expressed herein are based on publicly available information and internal analysis and are subject to change without notice.

Nothing contained in this Report shall be construed as an offer, solicitation, or inducement to buy, sell, or subscribe to any securities, derivatives, or other financial instruments, nor shall it be considered as investment, legal, accounting, or tax advice. Recipients are advised to conduct their own independent analysis and are encouraged to seek independent professional advice before making any investment or trading decisions.

The information contained in this Report has been compiled from sources believed to be reliable; however, CEBPL does not represent or warrant the accuracy, completeness, or reliability of such information. CEBPL, its directors, employees, or associates shall not be liable for any losses, damages, or expenses arising directly or indirectly from the use of or reliance upon this Report.

Investments in securities are subject to market risks. The price and value of investments and the income from them may fluctuate, and investors may incur losses. Past performance is not indicative of future results. Opinions expressed herein are as of the date of this Report and may differ from views expressed in other research reports due to differences in methodology, assumptions, or time horizons.

Disclaimers in respect of Jurisdiction:

This Report is not intended for distribution to, or use by, any person or entity who is a citizen or resident of, or located in, any jurisdiction where such distribution, publication, or use would be contrary to applicable laws or regulations, or would subject CEBPL to any registration or licensing requirements in such jurisdiction.

No action has been taken or will be taken by CEBPL in any jurisdiction outside India where such action would be required for distribution of this Report. Accordingly, this Report shall not be directly or indirectly distributed, published, or circulated in any such jurisdiction except in compliance with applicable laws and regulations.

Recipients of this Report are required to inform themselves of, and comply with, all applicable legal and regulatory restrictions at their own expense and without any liability to CEBPL. Any dispute arising out of or in connection with this Report shall be subject to the exclusive jurisdiction of the competent courts in Mumbai, India.

Disclosure on Ownership and Material Conflicts of Interest:

- "CEBPL", its Research Analyst(s), their associates and relatives may have any financial interest in the subject company covered in this Research Report.
- "CEBPL", its Research Analyst(s), their associates and relatives may have actual or beneficial ownership of one percent (1%) or more of the securities of the subject company, as on the last day of the month immediately preceding the date of publication of this Research Report.
- "CEBPL", its Research Analyst(s), their associates and relatives may have any other material conflict of interest at the time of publication of this Research Report.

Disclosure on Receipt of Compensation:

- "CEBPL" or its associates may have received compensation from the subject company during the past twelve months.
- "CEBPL" or its associates may have managed or co-managed public offerings of securities for the subject company during the past twelve months.
- "CEBPL" or its associates may have received compensation from the subject company during the past twelve months for investment banking, merchant banking or brokerage services.
- "CEBPL" or its associates may have received compensation from the subject company during the past twelve months for products or services other than investment banking, merchant banking or brokerage services.
- "CEBPL" or its associates have not received any compensation or other benefits from the subject company or any third party in connection with the preparation or publication of this Research Report.
- Research Analyst may have served as an officer, director or employee of the subject company covered in this Research Report.
- "CEBPL" and Research analyst may engage in market-making activity in the securities of the subject company.

Details of Associates of CEBPL and Brief History of Disciplinary action by regulatory authorities are available on our website i.e. www.https://choiceindia.com/research-listing

Copyright:

This research report is confidential and intended solely for the recipient. Unauthorized reproduction, distribution, or disclosure of this report, in whole or in part, in any form or by any means, without the prior written permission of the Company is strictly prohibited.

PURVI MUNDHRA

Digitally signed by PURVI MUNDHRA
Date: 2026.11.26 13:57:39 +05'30'