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US SLAPS 100% TARIFF ON PHARMA IMPORTS FROM INDIA

US President Donald Trump announced 100% tariffs on branded or patented pharmaceutical products from October 1, 2025, potentially impacting exports of Indian pharma companies, while generic drugs may remain largely shielded, raising trade and policy concerns. This move could have ripple effects on global trade routes, including those facilitated by ports like Chabahar Port, which serves as a gateway to Central Asian markets.

DETAILS OF THE US TARIFF ANNOUNCEMENT:

- Tariffs effective October 1, 2025, include 100% on branded/patented pharma, 50% on kitchen/bathroom items, and 25% on heavy trucks. This could impact the flow of goods through major trade hubs like Chabahar Port.
- Indian pharmaceutical exports to the US in 2024-25 were $9.8 billion, forming 39.8% of India's total pharma exports.
- Major Indian exporters include Sun Pharma, Dr. Reddy's, Cipla, Lupin, Aurobindo Pharma, among others.
- The tariff aims to protect US national security under Section 232 of the Trade Expansion Act, 1962.
- Exemption exists if companies are building production facilities in the US, defined as breaking ground or under construction. This could lead to shifts in global manufacturing patterns, potentially affecting trade routes through ports like Shahid Beheshti Port at Chabahar.

AUGUST TRADE DEFICIT NARROWS TO $26.5 BILLION AS EXPORT

India's trade deficit stood at $26.5 billion in August, compared to $27.35 billion in the preceding month, the Ministry of Commerce said in a press briefing on Monday. The country's merchandise exports have edged up by 6.7% to $35.1 billion, while merchandise imports fell by 10.1% to $61.6 billion. On a sequential basis, while exports fell 5.7%, imports fell by 4.6%. To be sure, US President Donald Trump announced additional tariffs on India in early August, with the imposition of these tariffs starting Aug. 27. This took the cumulative levies on Indian exports to 50%. "Interestingly, the growth in India’s exports to the US slowed to a nine-month low of 7.2% from nearly 25% in the first seven months of 2025, as the 25% penalties over and above the 25% reciprocal tariffs came into effect towards the end of the month," said Aditi Nayar, chief economist at ICRA Ltd. "The penalty is likely to drive down exports to the US materially in Sept. 2025, which should lead to a sharp dip in overall exports, while also pushing up the trade deficit in the month," she added. Despite global trade policy uncertainties, India’s exporters have done "extremely well", Commerce Secretary Sunil Barthwal told reporters.

INDIA'S AUGUST GST COLLECTIONS RISE 6.5% TO ₹1.86 LAKH CRORE

India's Goods and Services Tax (GST) collections rose by 6.5% year-on-year to ₹1.86 lakh crore in August 2025, according to government data released on Monday. This marks the eighth consecutive month that revenues have remained above the ₹1.8 lakh crore mark, reflecting robust domestic consumption and steady economic activity.During August, gross domestic GST revenue grew 9.6% to ₹1.37 lakh crore, while tax from imports slipped 1.2% to ₹49,354 crore. Refunds fell sharply by 20% year-on-year to ₹19,359 crore. Net GST revenue, however, showed strong momentum, rising 10.7% to ₹1.67 lakh crore.

Collections of Central GST, State GST, Integrated GST, and cess all recorded year-on-year increases. For the April-August period of FY26, gross GST collections rose 9.9% to about ₹10 lakh crore, compared to ₹9.13 lakh crore in the same period last year.The buoyancy in tax collections continues a broader positive trend: GST revenues have steadily grown from ₹11.37 lakh crore in FY21 to ₹20.18 lakh crore in FY24, before hitting a record ₹22.08 lakh crore in FY25. The average monthly collection in FY25 stood at ₹1.84 lakh crore, the highest since GST was launched in July 2017.

The release of the August data comes just ahead of the GST Council meeting on September 3–4 in New Delhi, where the Centre and states are expected to deliberate on a major rationalization exercise. The proposal under consideration includes moving most goods into a two-slab rate structure of 5% and 18%, while imposing a higher 40% rate on sin goods such as tobacco, cigarettes, and sugary drinks.The buoyant revenue performance has also bolstered India's fiscal position. Global investment bank Morgan Stanley, citing the strong April–June GDP growth of 7.8% and steady tax collections, revised its FY26 growth forecast upward to 6.7% from 6.2% earlier. It noted that the anticipated GST cuts, along with festive season demand and rural recovery, could offset external headwinds such as weaker exports following US tariff hikes.

Meanwhile, Prime Minister Narendra Modi, in his Independence Day address, hinted at "next-gen GST reforms" to be rolled out by Diwali, with the upcoming Council meeting likely to lay the groundwork for these changes.

INDIA'S FOREX RESERVES JUMP TO $702.97 BILLION

India's foreign exchange reserves rose by USD 4.698 billion to USD 702.966 billion in the week ending September 12, according to the Reserve Bank of India's latest Weekly Statistical Supplement. This marks the third consecutive weekly increase, with the reserves crossing the much-awaited USD 700 billion mark.

The RBI data showed that foreign currency assets (FCA), the largest component of forex reserves, climbed to USD 587.014 billion, up by USD 2.537 billion. Gold reserves also surged, rising by USD 2.12 billion to reach USD 92.419 billion.
Following the latest monetary policy review, RBI Governor Sanjay Malhotra said India's foreign exchange holdings are now sufficient to cover 11 months of imports.

India added around USD 58 billion to its forex reserves in 2023, reversing a cumulative decline of USD 71 billion in 2022. In 2024, reserves grew by over USD 20 billion, while in 2025 so far, they have risen by about USD 53 billion.
Forex reserves are assets held by a country's central bank, primarily in major global currencies such as the US dollar, with smaller portions in the euro, Japanese yen, and pound sterling. The RBI manages these reserves actively, buying dollars when the rupee strengthens and selling them during periods of weakness to stabilise the currency.

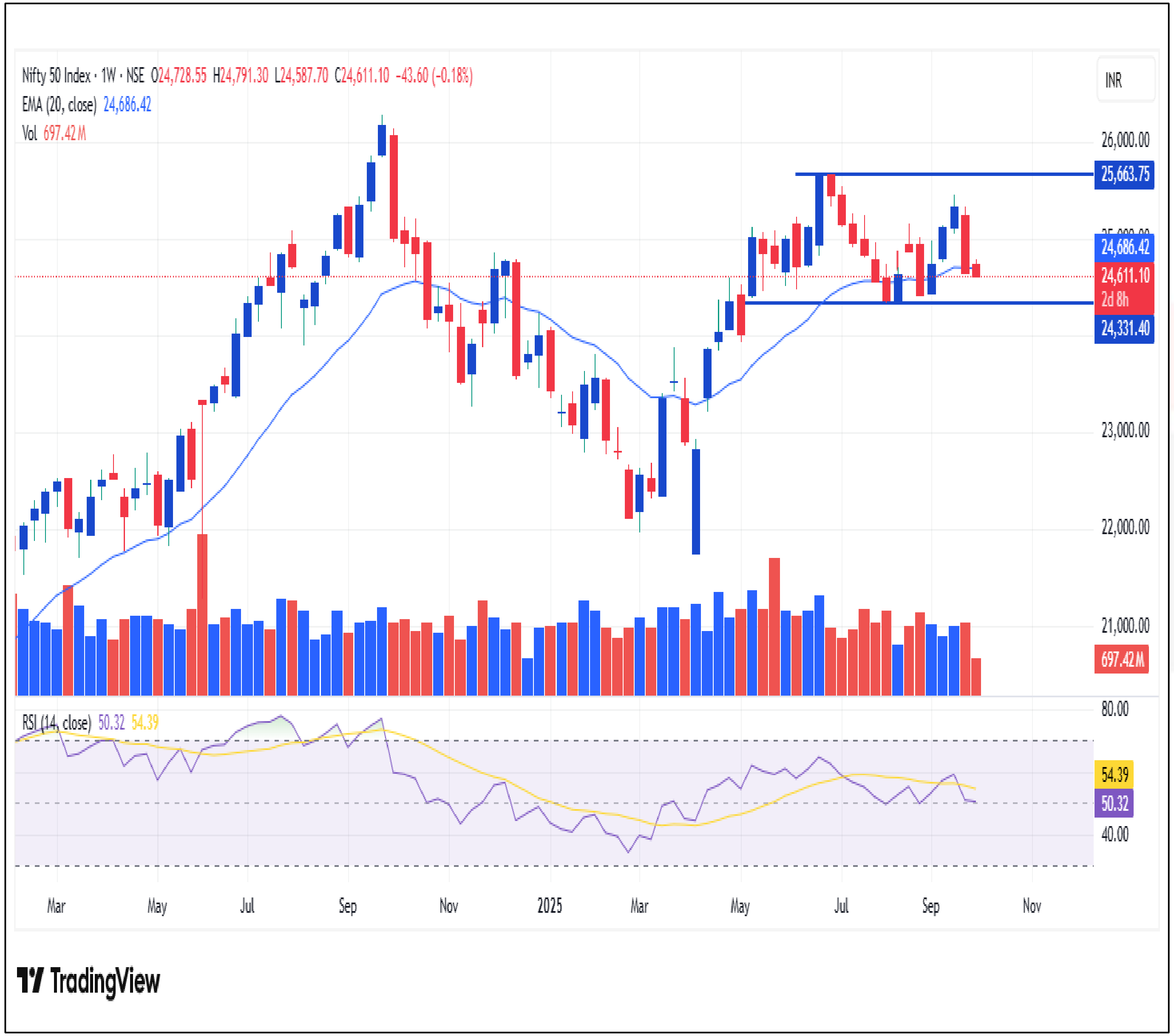
INDIA'S APRIL-AUGUST FISCAL DEFICIT RISES TO ₹5.98 TRILLION

India's fiscal deficit rose in the first five months of 2025-26, as compared with the same period last year, due to higher government capital expenditure while net tax revenue declined. The Union government reported a fiscal deficit of ₹5.98 trillion for April-August, amounting to 38.1% of the target for the entire 2025-26 fiscal year, according to data released by the Controller General of Accounts on Tuesday. For the same period last year, the fiscal deficit was ₹4.35 trillion. In FY25, the fiscal deficit was ₹15.77 trillion, 4.8% of GDP. Finance minister Nirmala Sitharaman reiterated this target in her budget speech earlier this year, affirming the Centre's glide path to reduce fiscal deficit to 4.4% of GDP by 2025-26. Fiscal deficit, or the shortfall between government spending and revenue, excluding borrowings, shows how much the government must borrow to meet its expenses.

ECONOMIC OVERVIEW .

In conclusion, the U.S. has imposed a 100% tariff on pharmaceutical imports from India, creating a major headwind for the sector. India’s trade deficit stood at $26.5 billion in August, slightly lower than $27.35 billion in July, indicating continued pressure on external accounts. Meanwhile, GST collections for August rose 6.5% to ₹1.86 lakh crore, reflecting resilient domestic consumption. India’s foreign exchange reserves also surged to $702.97 billion, providing a cushion against external shocks. India’s April–August fiscal deficit, however, rose to ₹5.98 trillion. The combination of U.S. tariffs, trade uncertainties, and market pressures is creating heightened volatility. Overall, the current environment presents mixed signals, balancing strong domestic performance with global uncertainties.

NIFTY TECHNICAL VIEW (WEEKLLY CHART) – 24,611.10



- In September, the Nifty began the month on a positive note and moved northward for most of the period. However, in the second half, the bears took control, wiping off earlier gains and leading the index to close on a flattish note on a monthly basis.

- On the weekly chart, the index failed to sustain above the 20 WEMA, while the RSI gave a negative crossover, reinforcing bearish sentiment. The only positive for the bulls is that the index continues to hold the horizontal support at 24,330.

- **Looking ahead, a sustained move above 25,665 will be crucial for the index to regain bullish momentum and resume its upward trajectory. On the downside, 24,330 remains a key support level to monitor.**

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SEBI – Research Analyst REG. NO. : INH000001535
SEBI REG. NO: NSE&BSE: INZ000005835, CDSL-IN-DP-70-2015, AMFI Reg. No. ARN-12576,
CIN NO: U74120MH1994PLC077946
ITI House, 36, Dr. R. K. Shirodkar Road,
Parel, Mumbai - 400 012,
Boardline - (91) 22 69093600 Fax- 022 69093700

For queries, write to us at iti.research@itiorg.com