

August 1st, 2025

Dear Readers,

This is an out of band communication because we felt that the financial news industry was not doing justice to the issue of Tariffs. Below, we deconstruct the worst case and then assess the possible impact.

The goods exported from India to the US are roughly \$81B, out of which ~\$15B is exempt (Pharma, Steel etc.). The 25% tariffs on \$66B amount to \$16.5B. Indian exports to US can be estimated to have a GDP multiplier of 1.3*. That means a GDP loss of ~\$21B. That's a sharp **0.5% of GDP**. However, there are other factors that may work to reduce this impact:

- Affected Indian exports diversify away and find other markets.
- Currency depreciation may keep exports somewhat competitive.
- In some cases, some of the tariff is passed onto customers.
- Policy support from government to the affected sectors.
- India and the US sign a trade deal that reduces this impact.

Most of the affected sectors are not reflected in NIFTY - textiles, gems & jewellery, animal feed stocks - but they are part of mid and small cap indices. The pain is therefore higher in the Mid and Small cap indices.

This doesn't really take our concerns away from elevated stock valuations compared to the growth. A forward P/E of 21 on Nifty and 7% earnings growth implies a PEG of 3. The second headwind, of IT exports, which has a high GDP multiplier, is also impacting our growth projections. A lack of pickup in private capex and some stress on asset quality of lenders also needs to be watched. While the World Bank has estimated India's growth at 6.5% in FY26, our estimates are lower at 6.25%.

As we called in our June 28th [Newsletter](#), the markets have drifted lower and gold is hovering around the predicted price of \$3300/oz. Please get in touch with us in case you want to figure out how and where to deploy the excess cash or check your asset allocation. Our latest blog highlights why [asset allocation](#) is the primary driver of returns in portfolios.

Our compensation doesn't depend on whether you keep the money in cash or in stocks or Mutual Funds or Real Estate - therefore you can always rely on getting conflict-free advice with Wealth Beacon. Our blog on [How to choose an Investment Advisor](#) might be helpful.

In other news, we received our SEBI license to operate as a corporate Investment Advisor and are now open for business. You can verify our license at [SEBI Website](#) and search for the trade name 'Wealth Beacon'.

We are grateful for your continued support and would be happy to help you with your financial planning, portfolios etc. by providing Comprehensive Fiduciary advice. You can contact us at contact@wealthbeacon.ai or WhatsApp us at +91-7975499422.

Cheers!

Wealth Beacon Team

* The GDP multiplier for export is generally 2, but is 1.3 for goods export as we import most of the raw material and add about 65% value by assembly or finishing the goods etc. The formula for GDP multiplier for exports $(k) = 1 / (1 - (1-t)*c + m)$, where t is tax rate, c is the marginal propensity to consume and m is the marginal propensity to import. For India, this is estimated to be ~2.1.