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'Apparel exports to drop 25-30% in FY26 on US tariffs'

IN A TIGHT SPOT. 80% of exporters, who are micro and smaller ones, will not be able to bear losses and may have to wind up, says AEPC chairman

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A 50 per cent reciprocal tariff imposed by the US on India is expected to see a 25-30 per cent reduction in apparel export volumes, as buyers cancel orders and opt for cheaper sourcing destinations like China, says Sudhir Sekhri, Chairman of Apparel Export Promotion Council (AEPC), the official body of apparel exporters in India.

Edited excerpts:

What will be the immediate impact of US raising reciprocal tariffs to 50 per cent on Indian goods?

Export volumes are expected to be hit drastically. If the 50 per cent tariff continues to remain in effect, the $16 billion Indian apparel exports is expected to reduce to $11-12 billion during the financial year 2026.

No exporter, be it big or small, will be able to absorb such high tariffs. Many of the smaller exporters — with a low financial base and reserves — will be wiped out as buyers have started cancelling orders and are refraining from placing new orders. Of the total exporters we have, 80 per cent of exports is done by 20 per cent of the exporters, while 20 per cent of the exports is done by 80 per cent of the exporters who are micro and small ones.

So, 80 per cent of the exporters will not be able to bear the losses and may have to wind up.

How will the bigger exporters fare?

The bigger exporters will be able to withstand the crisis for the next four months. They will be able to absorb the losses for sometime. But even they will find it difficult after this period as it is they who will have to bear the brunt of these tariffs. The goods reaching the US after September 17 will be charged a tariff of 50 per cent.

Buyers are not going to bear it. They are going to ask for discounts. So there will be two effects. Buyers will be asking for discounts for orders which are in the pipeline. Orders meant for the spring and summer 2026 season will move to China or some other destinations. We have been categorically told by the buyers that the orders that have not been put into work are going to move out from India.

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SUDHIR SEKHRI
Chairman of Apparel Export Promotion Council (AEPC)

Will alternative export markets help cushion the impact of US tariffs?

It is not easy to move into newer markets and find new buyers in a short span of time.

The large retailers have a system of onboarding a vendor. That process takes 12-24 months and at the end of which one starts receiving orders.

It will not be easy even for the bigger exporters, having 80 per cent exposure to the US market, to move to other markets.

Have you sought government help?

We were in discussion with the buyers (in the US market) and were trying to work out a formula under which all affected stakeholders will share the burden (of the tariffs).

We had almost reached an understanding before the tsunami of additional 25 per cent tariff hit us. We had sought an appointment with the government. Hopefully, we can ask them how they can help us. Some solution has to be found or else this industry will not survive.