



InvAsset's Voice



INDIA UK FTA

12th August, 2025



India's Best Performing and Most Customer Centric PMS

In what may be India's most strategically significant trade agreement since liberalization, the India–UK Free Trade Agreement was formally signed in London on July 24, 2025, by Prime Minister Narendra Modi and UK Prime Minister Keir Starmer. This marks India's 15th FTA — and the UK's largest bilateral deal post-Brexit — symbolizing a shift in global alliances amid trade realignments, China+1 strategies, and growing Western interest in India's supply chains. The pact aims to double bilateral trade from \$60 billion to over \$120 billion by 2030, eliminate tariffs on 99% of Indian exports, and facilitate easier mobility of professionals, investments, and government procurement access. For India, this is not just a trade pact but a geopolitical signal — that it's ready to lead in high-value exports, integrate into developed markets, and set the tone for future deals with the EU and US. As the world reconfigures its supply chains, this FTA places India on firmer ground in the global trade architecture.

INDIA-UK FTA IN ACTION

India-UK FTA in action

UK rolls out the red carpet for **MADE IN INDIA**

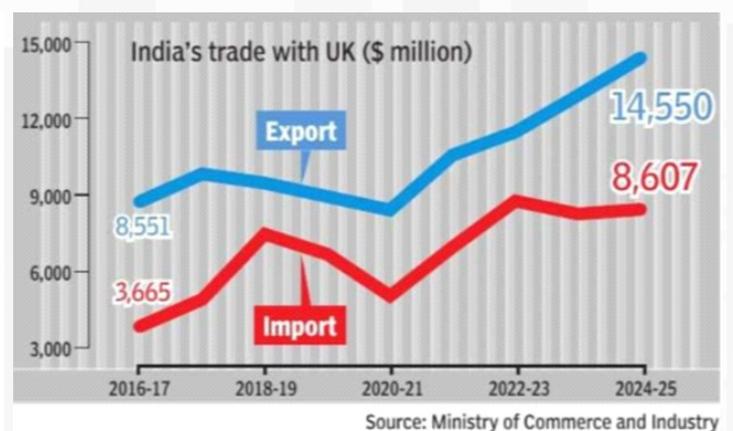
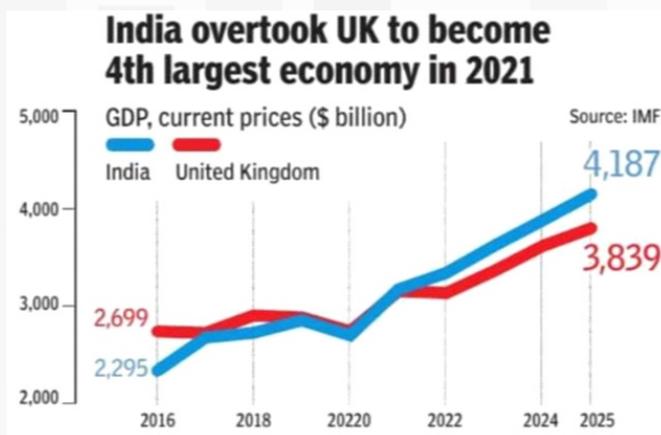
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<p>Rajasthan</p> <ul style="list-style-type: none"> ● Jaipur gemstone jewellery 	<p>Andhra Pradesh</p> <ul style="list-style-type: none"> ● Araku coffee ● Turmeric 	<p>West Bengal</p> <ul style="list-style-type: none"> ● Baluchari sarees ● Darjeeling tea ● Natugram dolls ● Shantiniketan leather
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<p>Maharashtra</p> <ul style="list-style-type: none"> ● Kolhapuri footwear ● IT services 	<p>Kerala</p> <ul style="list-style-type: none"> ● Natural & processed rubber ● Turmeric 	
<p>Karnataka</p> <ul style="list-style-type: none"> ● Channapatna toys 		

Source: mygov

Big Picture

What the FTA Offers India

The India–UK Free Trade Agreement eliminates tariffs on 99% of India's exports to the UK covering nearly 100% of the trade value. On the Indian side, average tariffs on UK products will fall from 15% to 3%, with calibrated concessions on sensitive sectors like automobiles, whisky, and medical devices. The agreement also includes services, talent mobility, digital trade, and government procurement – making it one of India's most comprehensive bilateral trade frameworks. This is the first time India has granted UK suppliers access to public procurement markets, and also the first time an FTA includes visa quotas for Indian cultural professionals, with 1,800 annual permits. Combined with social security exemptions for 75,000 Indian workers and expanded UK investments in Indian tech, pharma, and clean energy, the deal sets the stage for a new chapter in India's export-led growth strategy.



Sector Winners: Who Stands to Gain

The India–UK FTA is designed with a clear export-push agenda, targeting sectors where India holds competitive advantages but faced tariff or regulatory barriers. With nearly **99% of Indian goods exports** to the UK now duty-free, the deal unlocks massive upside for high-employment, value-added industries. From Tirupur’s knitwear to Surat’s jewellery, from Andhra’s shrimp farms to tribal coffee cooperatives — a wide swath of Indian producers will now compete in the UK market without the handicap of import duties. The agreement also liberalizes **services, government procurement,** and professional mobility, opening new frontiers for India's IT talent, fintech firms, and MSMEs. Below is a sector-wise breakdown of industries poised to benefit over the next five years — both in trade volume and strategic access.

Key Benefits of the India-U.K. FTA

Sector	Major Gains for India	Major Gains for UK
Agriculture/Food	95% products duty-free, market for tribal/exporters	Access for chocolates, biscuits, soft drinks
Textiles/Garments	Duty-free access, boosts exports to \$3.25B	Increased sourcing, strengthens UK retail
Engineering Goods	Near doubling of exports by 2030	Supply chain integration
Auto/Luxury Cars	Selective market access, safeguards for core sectors	Reduced duties on luxury/sports vehicles
Spirits	Halved duty on Scotch, gin imports	Larger premium spirits market in India
IT & Financial Services	Access to UK market, easier mobility, social security	FDI opportunities, digital cooperation
Gems & Jewellery	Exports could hit \$2.5B, total trade \$7B	Retail and luxury sector boost

Textiles & Footwear

India's textile and apparel sector emerges as a headline winner. UK tariffs on key product categories like garments, home textiles, and knitwear — previously ranging from 8% to 12% — have been eliminated across 100% of lines. This places Indian exporters on equal footing with Bangladesh, Cambodia, and Vietnam, whose exports were previously more competitive under GSP rules. With annual exports to the UK at \$1.2 billion in FY24 (Ministry of Textiles), the FTA is expected to push that figure to \$3.25 billion by 2030, according to estimates by the Apparel Export Promotion Council (AEPCC).

In footwear, where UK tariffs were as high as 16%, Indian products now enter at zero duty. This benefits MSME-dense clusters like Agra, Kanpur, and Ambur. According to APEDA and the India Footwear Export Promotion Council (IFEP) India's footwear exports to the UK stood at \$200 million in FY2024 and it is expected to grow significantly driven by price competitiveness, GI protection, and branding support under the agreement.

Agriculture, Processed Foods & Marine Products

The FTA delivers a major breakthrough for India's agri and marine exports. 95% of India's agricultural and processed food products — including spices, rice, tea, coffee, fruits, vegetables, and packaged foods — will now enter the UK duty-free. This eliminates tariffs that earlier ranged from 5% to 20%, improving the landed cost and competitiveness of Indian products. Crucially, India protected its sensitive lines — dairy, edible oils, apples, sugar, oats — which continue to remain outside concessional access. The Agricultural & Processed Food Products Export Development Authority (APEDA) estimates that India's agri-exports to the UK, which stood at \$811 Million in 2024, could see a significant jump in three years, led by ready-to-eat foods, organic spices, and GI-tagged items like Araku Valley coffee and Darjeeling tea.

In marine exports, the gains are equally strong. UK import duties on Indian seafood — previously 4% to 8.5% — are now fully eliminated. India, the world's third-largest fish exporter, shipped \$104million worth of marine products to the UK in 2024. According to MPEDA, the FTA could help raise this to more than 70% in the years to come, particularly in frozen shrimp, tuna, fishmeal, and crab. Coastal states like Andhra Pradesh, Kerala, and Odisha stand to benefit, and the move supports India's broader goal of expanding the blue economy through exports.

Engineering Goods & Auto Components

India's engineering exports — already a stronghold in the EU and US — are now positioned to grow substantially in the UK. The FTA removes duties across nearly 100% of Indian engineering and machinery exports, covering categories like industrial valves, tools, electricals, automotive components, and mechanical equipment. The Engineering Export Promotion Council (EEPC) notes that India exported \$4.28 billion worth of engineering goods to the UK in FY24, and this number is projected to cross \$7.5 billion by FY30 under zero-duty access and simplified certification.

Auto components, in particular, gain export edge under this deal. India has emerged as a global hub for low-cost, high-precision components used in EVs, ICEs, and commercial vehicles. With UK EV transition targets set for 2035, Indian players – especially in Tier-1 and Tier-2 supply – can now plug directly into British OEM supply chains. Domestic firms stand to benefit from tech transfers, contract manufacturing, and sourcing tie-ups. On the other hand, while India has allowed limited tariff reductions on UK-made luxury vehicles, these are quota-bound and calibrated over five years, protecting the mass-market auto segment.

Gems & Jewellery

The UK is one of the top 5 global markets for luxury jewellery, and the India–UK FTA removes the biggest barrier Indian exporters faced – import tariffs of up to 5% on gold jewellery and 2.5% on cut and polished diamonds. Under the agreement, these duties are now reduced to zero across all categories. India's gem and jewellery exports to the UK stood at \$941 million in FY24 (Gem & Jewellery Export Promotion Council), and are now projected to cross \$2.5 billion by FY28, aided by cost competitiveness and enhanced branding support.

What makes this gain structurally important is the FTA's provision on mutual recognition of standards, which simplifies BIS-equivalent compliance for hallmarking and quality certifications. Surat's diamond ecosystem and Mumbai's gold exporters – already dominant globally – can now offer high-value designs at more competitive UK retail prices. The deal also strengthens India's position against Chinese and Thai exporters in the UK market, helping reclaim market share in both fashion and bridal jewellery categories. GJEPC expects bilateral jewellery trade to reach \$7 billion by 2030 under this agreement.

Services, IT & Financial Mobility

While tariff reductions dominate headlines, the FTA's services and talent mobility provisions are arguably more transformative in the long run. For the first time in a UK deal, India has secured 1,800 annual short-term work visas for professionals in fields like IT, architecture, education, classical arts, yoga, and culinary services. These are complemented by mobility concessions for contractual service providers and independent professionals – allowing Indian consultants, engineers, and auditors to operate in the UK for up to 24 months without sponsorship.

In IT and digital services, the deal removes discriminatory access hurdles and eases visa norms for Indian software and consulting professionals working on cross-border projects. According to NASSCOM, India exported over \$10 billion worth of IT and BPM services to the UK in FY24 – second only to the US. With smoother visa issuance, local data localization clarity, and upcoming regulatory alignment in AI, fintech, and digital trade, Indian firms – especially mid-sized players – are expected to see stronger UK client wins. This is further supported by UK's recognition of Indian degrees and professional qualifications in key domains.

In financial services, Indian fintech, lending platforms, and electronic payments firms now gain non-discriminatory market access. The FTA also opens the door for UK insurers and asset managers to invest in Indian markets with fewer procedural barriers — facilitating two-way financial flows and deeper capital market integration.

MSMEs, Tribal Exports & Government Procurement Access

For India's 6.3 crore MSMEs, the India–UK FTA opens structural long-term opportunities across exports, e-commerce, and public procurement. The agreement ensures streamlined customs procedures, mutual recognition of standards, and simplified documentation — directly benefiting smaller exporters who previously struggled with UK regulatory compliance. India has also secured priority access for MSME-driven goods — such as handicrafts, processed agri-commodities, and engineering parts — by establishing dedicated MSME facilitation cells in the UK-India Trade Secretariat set to launch later this year.

One of the FTA's most significant breakthroughs is the access granted to UK's £38 billion annual government procurement market, a first in India's bilateral trade history. Indian firms can now bid for public contracts in non-sensitive areas like IT services, software, medical devices, apparel, and consultancy — helping mid-size firms scale operations abroad. Simultaneously, Indian public procurement remains protected, as sensitive sectors such as defence, railways, and healthcare are excluded.

The deal also lifts barriers for tribal and forest products. GI-tagged commodities like Araku Valley Coffee, millets from Odisha, and Nagaland's black rice are now eligible for zero-duty access in the UK. TRIFED projects a 30–40% rise in tribal exports over the next three years, especially as the UK market becomes more open to sustainable, organic, and artisanal products. For artisans, women-led SHGs, and rural entrepreneurs — this is not just a trade win, but a global platform.

The Fine Print: Safeguards and Selective Concessions

While the India–UK FTA is overwhelmingly pro-export, it has been negotiated with careful protections for India's politically and economically sensitive sectors. India retained full discretion on sensitive agricultural items such as dairy, edible oils, apples, sugar, wheat, and oats – which continue to face steep import barriers. This ensures over 100 million Indian farmers and dairy cooperatives remain insulated from subsidised UK agricultural imports. The Indian Dairy Association had strongly lobbied against any tariff reductions, citing risks to domestic milk prices – a concern the government addressed by fully excluding dairy from the agreement.

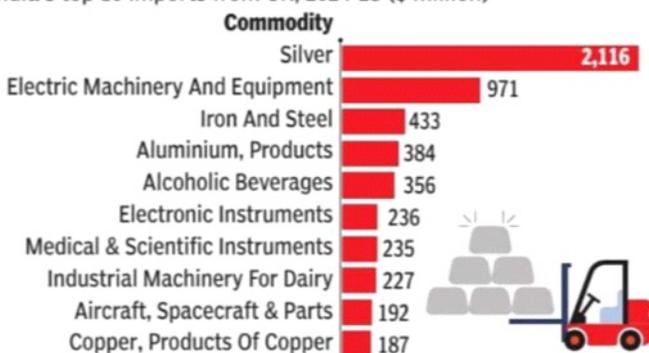
In automobiles, India allowed calibrated access for fully built UK vehicles, primarily in the luxury segment. Import duties – currently at 100%–110% for CBU units – will be cut in a phased manner to 50% over 5 years, but only within a 25,000 vehicle annual quota, and exclusively for models priced above ₹40 lakh. This protects the mass-market segment where domestic manufacturers operate. Simultaneously, Indian EV makers have been given reciprocal export quotas to the UK – a win for firms in the electric mobility space.

On alcoholic beverages, particularly Scotch whisky and gin, import duties will reduce from 150% to 75% immediately, and further to 40% over the next decade. However, this will be governed by volume-based safeguards and labeling norms, giving Indian distillers time to adapt. Local spirit makers – especially in Tier 2/3 markets – remain shielded through strong excise controls and pricing mechanisms.

The deal also ensures that government procurement, defence, railways, and agriculture subsidies remain outside the purview of UK claims. This maintains India's policy flexibility in critical areas. Strategically, the fine print reflects a negotiation style where economic ambition was matched with calibrated caution, ensuring no domestic sector was sacrificed at the altar of free trade.

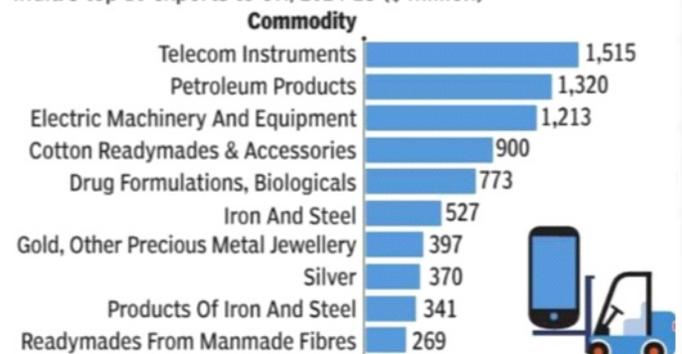
And Silver is the top import

India's top 10 imports from UK, 2024-25 (\$ million)



Phones and petroleum are top exports

India's top 10 exports to UK, 2024-25 (\$ million)



What It Means for India's Strategic Growth

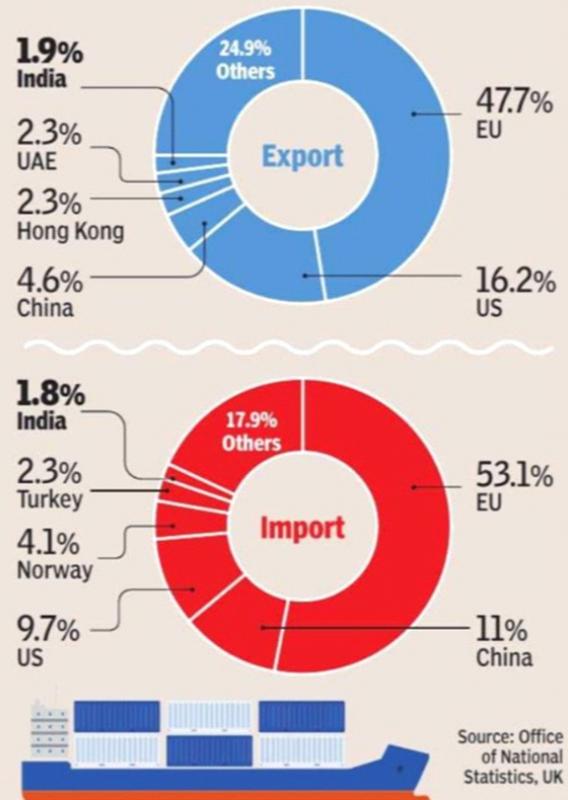
The India–UK FTA is more than a trade liberalisation deal — it is a strategic economic bridge between a fast-growing emerging economy and a post-Brexit G7 nation. For India, it achieves three critical long-term objectives: **export diversification, integration into global value chains, and high-quality job creation.**

First, it anchors India's export engine in value-added sectors beyond traditional commodities. Labour-intensive industries like textiles, agri-processing, leather, and jewellery — which collectively employ over **40 million workers** — will gain pricing power and market access in the UK, supporting rural income and manufacturing employment. According to Commerce Ministry projections, the FTA alone could contribute **\$8–10 billion in incremental exports annually by Fy30.**

Second, the FTA is India's clearest signal yet that it is ready to engage developed economies on rules-based trade — including chapters on digital commerce, IPRs, sustainability, and regulatory harmonization. This not only strengthens investor confidence but also **bolsters India's case in ongoing FTA talks with the EU and the US.** It reflects India's shift from being a defensive trade player to a strategic, calibrated negotiator, especially after walking out of RCEP in 2019.

Third, the agreement is expected to unlock significant foreign direct investment (**FDI**). The UK is already India's **6th-largest FDI contributor**, with \$36 billion invested cumulatively. With lower tariffs, expanded mobility, and procurement access, UK firms in **EVs, clean energy, fintech, and advanced manufacturing** are expected to deepen operations in India — supporting the government's “Make in India” and “Design in India” ambitions. The inclusion of mutual recognition in education and skill standards also lays the groundwork for long-term innovation and tech transfer.

It has less than 2% share in UK's trade
Share of Top 5 and India in UK's export-import



Overall, the FTA is a structural enabler. It strengthens India's presence in one of the world's wealthiest markets, improves sectoral competitiveness, and adds momentum to its \$2 trillion export vision by 2030. In a multipolar world where trade is increasingly geopolitical, this deal positions India as a preferred, rules-compliant partner in the next global growth cycle.

Challenges Ahead: Quality, Compliance & Execution

Despite its promise, the India–UK FTA's success hinges on how effectively Indian exporters navigate non-tariff barriers and upgrade to meet stringent UK standards. Tariff removal opens the door — but stepping through it requires Indian firms to raise their game on **quality, traceability, packaging, and compliance**. This is especially true in sectors like processed foods, pharmaceuticals, electronics, and cosmetics, where **UK and EU safety norms** are rigid, and even a minor certification lapse can result in rejection or recalls.

A key lesson comes from the **India–Japan FTA (CEPA)**, where despite near-zero tariffs on apparel and agri-exports, India captured only **1% of Japan's textile import market** even after a decade. The reason: low adoption of Japanese quality, language, and labeling standards. The India–UK deal risks a similar underperformance unless exporters — especially MSMEs — receive active handholding.

Another challenge is **sustainability and carbon compliance**. The UK is expected to align with the EU's **Carbon Border Adjustment Mechanism (CBAM) starting 2027**. This means Indian exports in sectors like steel, aluminium, cement, and fertilisers could face carbon tariffs unless producers disclose emissions and move toward greener processes. Indian exporters will need to invest in **carbon tracking, ESG audits**, and low-emission technologies to stay competitive in the UK market.

The government is aware of these risks and has announced **over 1,000 outreach and compliance workshops** across states in the next 12 months to train exporters on rules of origin, documentation, IP, and ESG readiness. But awareness alone won't suffice. India Inc. must treat this FTA not as a one-time windfall but as an invitation to **compete on global terms** — on quality, not just cost.

Conclusion: Why This Deal Matters

The India–UK Free Trade Agreement marks a pivotal moment in India's economic diplomacy — not just for its breadth, but for the clarity of its ambition. It is India's first FTA with a developed Western economy that spans goods, services, investments, and future-facing chapters like digital trade, ESG, and procurement. **With 99% of Indian exports gaining duty-free access** and robust safeguards for domestic sensitivities, it reflects a rare policy balance — **growth without compromise**.

For Indian exporters, it levels the playing field against competitors in Vietnam, Bangladesh, and China — especially in textiles, food processing, marine, and jewellery. For professionals and service providers, it opens legal, cultural, and IT corridors long gated by visa complexity. For MSMEs, it signals formal entry into global government procurement and sustainable product chains. And for policymakers, it strengthens India's bargaining position in upcoming EU and US negotiations — proving that India can deliver on high-standard trade without ceding autonomy.

But most importantly, this deal raises the bar. It challenges Indian industry to compete not just on volume or price, but on **compliance, branding, and trust**. If implemented with speed, depth, and institutional support, the India–UK FTA won't just lift exports — it could recalibrate India's global trade identity for the decade ahead.

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