

# Engineering goods seen as big winners

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India's engineering exports to the United States (US) are set to regain momentum following the proposed reduction in US reciprocal tariffs on Indian goods to 18 per cent, significantly improving cost competitiveness after years of elevated duties. Auto component manufacturers are expected to be the biggest beneficiaries, with the tariff reset sharpening India's export edge in the US market far more for ancillary suppliers than for automobile OEMs (original equipment manufacturers).

India exported goods worth \$86.5 billion to the US in 2024-25 (FY25), with engineering goods emerging as the largest category at \$20.1 billion. The segment includes electrical equipment, industrial machinery, iron and steel products, automobiles, and auto parts. According to industry calculations, around 62 per cent of India's engineering exports to the US will be covered under the tariff reduction, bringing duties down from 50 per cent to 18 per cent. This is expected to restore competitiveness for products such as machinery, castings, electrical equipment, boilers, and compressors that had struggled to absorb the higher tariff burden.

The remaining 38 per cent of engineering exports fall outside the scope of the agreement as they are governed by Section 232 of US Trade Expansion Act of 1962. These products — including automobiles, auto parts, steel, and aluminium — continue to attract additional tariffs ranging from 25 per cent to 50 per cent, which are not country-specific. The estimates are based on FY25 export data. Section 232 authorises the US President to impose tariffs or quotas on imports that threaten national security. It has been used to target steel, aluminium, and critical minerals.

Pankaj Chadha, chairman of the Engineering Exports Promotion Council of India

(EEPC), said the tariff cut could revive demand from US buyers who had slowed or curtailed orders due to high duties. "The reduced tariff will benefit most major engineering categories where India already has a strong footprint. Engineering exporters, especially micro, small, and medium enterprises (MSMEs), were the worst-affected by the steep 50 per cent duty and now they stand to gain significantly," he said. Chadha added that while Section 232 duties on steel, aluminium, and auto products remain in place, there is growing optimism that deeper trade engagement could eventually pave the way for easing those as well.

Despite the tariff overhang, India's engineering exports to the US reached \$14.68 billion during April-December FY26, registering around 5 per cent growth. Industry executives expect the tariff reset to further accelerate shipments by improving pricing flexibility and order visibility.

Within engineering goods, auto component manufacturers are widely seen as the key winners.

Brokerages note that the US accounts for roughly 25-30 per cent of exports for several large Indian auto ancillary players, making tariff moderation a meaningful tailwind. Axis Direct estimates that the reduction in reciprocal tariffs could lower effective import costs by 6-8 per cent, enhancing bid competitiveness, supporting incremental volumes, and improving plant utilisation, particularly in engineered, precision, and value-added components.

Market reaction reflected this optimism, with the Nifty Auto index rising 2.8 per cent, led by gains in leading auto component exporters such as Bharat Forge (6.5 per cent), Samvardhana Motherson International (6.4 per cent), and Uno Minda (2.5 per cent). Automobile OEM (original equipment manufacturer) stocks posted more modest gains, reflecting their limited direct exposure to the US market — TVS Motors



## Losing momentum

India's engineering exports to US (\$ bn)

2022-23	18.68	<div style="width: 100%;"></div>
2023-24	17.63	<div style="width: 94%;"></div>
2024-25	19.16	<div style="width: 103%;"></div>
2025-26*	14.68	<div style="width: 77%;"></div>

\*From April to December; Source: Niryat portal

was up 1.8 per cent, M&M 1.87 per cent, and Tata Motors PV 2.5 per cent.

Ravi Mehra, managing director (MD) of Uno Minda, said the tariff reset opens up opportunities to scale operations and deepen engagement with US customers. "For Uno Minda, this opens up compelling opportunities to further scale our footprint, strengthen supply-chain agility, and expand our contribution to the US market while reinforcing India's position as a world-class manufacturing hub," he said.

Meanwhile, Arvind Chanda, wholetime director and chief executive officer of Tenneco India, anticipated "accelerated export growth" to the US, one of their key markets, as reduced duties improve pricing power and margins while making Tenneco India a more attractive sourcing partner compared to suppliers from higher-tariffed regions.

Industry data underline the scale of the opportunity. The Automotive Component

Manufacturers Association of India (ACMA) said the sector recorded a turnover of \$80.2 billion in FY25, with exports of \$22.9 billion and a trade surplus of about \$500 million. Exports to the US have grown steadily from \$3.5 billion in FY21 to \$6.2 billion in FY25, with shipments of \$3.1 billion in the first half of FY26 alone.

ACMA president Vikrampati Singhanian described the tariff reduction as a timely boost amid global supply-chain realignments, noting that it enhances predictability and confidence for long-term trade and investment while reinforcing India's role as a reliable sourcing hub.

Vehicle makers, however, are expected to see only incremental gains. Indian OEMs export limited volumes directly to the US, and benefits remain constrained by regulatory entry barriers and homologation costs.

TVS Motor Company Chairman Sudarshan Venu said the reduction in reciprocal tariffs would nonetheless improve export competitiveness and reinforce confidence in long-term bilateral ties. He added that the intent to progressively lower tariffs and non-tariff barriers could deepen supply-chain integration, enable faster technology collaboration, and attract investment into advanced manufacturing.

Trade experts cautioned that clarity on product coverage and timelines remains essential. The Global Trade Research Initiative — a New Delhi-based, private research organisation that provides high-quality, jargon-free analysis on trade, technology, investment, and climate change for governments and industry — said the announcement should be viewed as a political signal until backed by a joint statement and negotiated text. Even so, analysts said the direction of travel is clearly supportive, easing margin pressures and improving medium-term earnings visibility for US-linked auto component exporters. (With inputs from Anjali Singh)