

Opportunity in crisis: Duty on cars, auto parts likely to spur EV push

PUJA DAS

New Delhi, 3 April

US President Donald Trump's imposition of 25 per cent import tariff on cars and automobile components could be an opportunity for India to reshape its automotive supply chains with a renewed focus on electric vehicle (EV) manufacturing, experts say.

Saurabh Agarwal, tax partner at EY India, said, "While India's direct car exports to the US are currently minimal, global tariff shifts offer a significant chance to reshape automotive supply chains. Our Make-in-India initiative, along with a renewed focus on EV manufacturing, positions us uniquely."

India's growing auto components industry could step in to fill the gap left by these shifts. This change could enhance exports and draw further investments into domestic manufacturing. At the same time, the changes may reveal new dynamics, such as the US car market could become less appealing for vehicle exports.

Companies producing EVs or EV components, which have large production capacities in countries such as China, Korea, Japan, and Vietnam, may seek new export markets for their products. These companies could face substantial idle inventory otherwise.

"These companies will likely try to aggressively market their products, especially EV components, in India due to the country's growing appetite for quality EV products," said Shyamasis Das, a Fellow in Energy, Resources and Sustainability at the Centre for Social and Economic Progress. Finance Minister Nirmala Sitharaman announced recently that as part of customs tariff rationalisation, no import duties will be levied on 35 capital goods for EV batteries. This could entice large Asian players to direct their products to India.

Direct competition could pose a formidable challenge, but if they suc-



EXPORTS TO US

Top car exporting nations (\$ bn) with % share in brackets

Mexico	49.98 (22.8%)	
Japan	40.76 (18.6%)	
South Korea	38.02 (17.3%)	
Canada	28.40 (12.9%)	

Source: US Import data

Top auto components exporting nations (\$ bn) with % share in brackets

Mexico	36 (39%)	
Canada	11.49 (13%)	
China	10.1 (12%)	
INDIA	6.79 (2%)	

Source: United Nations COMTRADE database, Automotive Component Manufacturers Association of India

cessfully integrate these components into their supply chains, they may find an opportunity to make their EVs or lithium-ion batteries cost-competitive, according to Das.

Das added, "With Indo-China relations on a recovery path, Chinese companies may show increased interest in the Indian EV market. This will be an interesting situation to monitor,

as there will be winners and losers among Indian businesses."

The shift will not only open new doors for Indian EV manufacturers but also help strengthen the country's foreign exchange reserves, according to other experts.

"If exports represent 2 per cent of this volume (200,000 units), forex revenue could rise significantly, especially if India advances up the value chain to export higher-end EVs and battery technology. Furthermore, increased foreign direct investment (FDI) in EV manufacturing could further bolster forex reserves," said Dhiraj Agrawal, chief business officer of Mufin Green Finance.

In 2023, India's EV exports grew by 246.3 per cent year-on-year, reaching ₹2,139 crore, driven by demand from countries like Nepal and France. India's EV market is projected to reach 10 million units annually by 2030. Currently, India exports around 100,000 EVs each year, primarily in the two- and three-wheeler segments.

Preetesh Singh, a specialist in CASE (Connected, Autonomous, Shared, Electric) and Alternate Powertrains at Nomura Research Institute Consulting and Solutions India, noted that while India has the potential to capture the export market in the short term with its current products, it cannot completely replace China or its alternatives unless it significantly improves its product quality to meet the standards of the US and other global markets. "Once there are better products, the demand for superior components will follow," he explained.

"Moreover, India is focusing on ramping up battery and component manufacturing, which requires greater momentum through fiscal or non-fiscal incentives. While the overall direction is positive, the magnitude of support needs to increase to enhance component quality in India, especially regarding policy incentives," Singh said.