

Auto sector on edge as tariffs hit export outlook

ANJALI SINGH

Mumbai, 7 August

The White House's latest move to impose an additional 25 per cent tariff on Indian imports, raising total duties to 50 per cent, has sparked concern across India's automotive and component sectors.

With the US accounting for 27 per cent of India's auto component exports and 17 per cent of tyre exports, analysts warn the hike could sharply dent India's price competitiveness, particularly in off-highway components and the replacement tyre segment, compared to Asian peers like Vietnam and Indonesia, who enjoy lower or preferential trade duties. The broader sector faces pressure. Even as the 25 per cent reciprocal tariffs from India may not hit most automotive goods, the initial US tariff already "fundamentally alters the competitive landscape" for Indian exports, noted Saurabh Agarwal, Partner and Automotive Tax Leader at EY India. He recommended that Indian firms



consider nearshoring production to Mexico or Canada under the USMCA framework, while also capitalising on the new United Kingdom trade deal and pushing for a faster agreement with the European Union.

The Automotive Component Manufacturers Association of India (ACMA) has flagged this move as a near-term challenge for the industry. However, it also sees the development as a prompt for Indian exporters to boost competitiveness and diversify markets. While the tariff hike may create short-term challenges for Indian exporters, it

highlights the need to enhance value addition, boost competitiveness, and diversify into newer markets, said Shradha Suri Marwah, President of ACMA. The Nifty Auto index ended marginally higher at 23,808, up 0.2 per cent on Thursday. Hero MotoCorp led gains with a 4.2 per cent rise, followed by TVS Motor, which was up 2.1 per cent and Bharat Forge, which rose 1.7 per cent. Other gainers included Bal Krishna Industries, Maruti Suzuki India, Bosch, and Bajaj Auto. On the flip side, MRF, Samvardhana Motherson, and Tata Motors were among top laggards.

Industry voices are mixed on the immediate fallout. Rakesh Sharma, Executive Director at Bajaj Auto, said the company's US exposure remains minimal – less than 1 per cent of its turnover – limited to KTM and Triumph motorcycles exported by partners. "The real impact will depend on how demand shifts in response to higher prices and how our competitive position evolves." Developments in the US and Mexico economic corridor could indirectly affect demand in one of Bajaj's key markets, he added.

Carraro India, too, does not anticipate a direct impact. "Our exposure to the US is just 6–7 per cent and our diversified global portfolio makes us resilient," said Managing Director Balaji Gopalan. He also noted that long lead times and validation complexities in transmission systems make it hard for OEMs to immediately shift sourcing. Icara also

noted that auto component exporters, especially those with significant dependence on the U.S. market, are likely to explore new geographies and enhance cost efficiencies to mitigate the impact of the tariff hike.

While Indian tyre exporters earlier held a slight edge over Chinese rivals, that advantage could now erode due to lower tariff rates extended to select Southeast Asian countries, it said.

Despite the trade shock, Icara maintains a cautiously optimistic outlook, projecting modest growth across most segments in FY26,

supported by festive demand, infrastructure activity, and rural income stability. Still, with global trade headwinds intensifying, the auto sector's next phase may depend on how swiftly Indian manufacturers adapt to the new normal.

With inputs from Sohini Das

DESPITE THE TRADE SHOCK, ICRA MAINTAINS A CAUTIOUSLY OPTIMISTIC OUTLOOK, PROJECTING MODEST GROWTH ACROSS MOST SEGMENTS IN FY26