

Trump moots 25% tariffs on auto, pharma imports

US risks shortages as India dominates generics space; auto cos expect muted pain

SOHINI DAS
Mumbai, 19 February

The US is likely to impose around 25 per cent tariffs on automobile, pharmaceutical, and semiconductor imports, with a formal announcement expected by April 2, said American President Donald Trump — marking the latest move in a string of trade measures that could disrupt commerce globally and with India.

Industry insiders in India warned that any such move in the pharmaceutical sector could be counterproductive for the US as it may face increased drug shortages if tariffs are imposed on such imports. Meanwhile, the impact on the automobile sector in India is expected to be relatively limited, as the country exports a minuscule number of vehicles to the US. Component exporters, on the other hand, are in a wait-and-watch mode.

Pharmaceutical executives believe the proposed tariffs could lead to a shift in production to the US, which would not only drive up the cost of finished medicines there but also exacerbate shortages in the short to medium term.

Speaking to reporters at his Mar-a-Lago club, Trump said tariffs could rise “very substantially” over the course of a year and stressed that he wanted to give companies time to relocate their operations to the US before enforcing new import taxes. “When they come into the United States and they have their plant or factory here, there is no tariff. So we want to give them a little bit of a chance,” he said.

India supplies 47 per cent of the US’ generic medicines, making it the largest source of affordable pharmaceuticals, ahead of domestic producers (30 per cent), West Asian countries (11 per cent), and Europe (5 per cent).

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IMAGING: AJAYA MOHANTY

LIMITED IMPACT

	1-day chg (%)
Nifty 50	-0.1
Nifty Pharma	-0.7
Nifty Auto	0

TOP LOSERS

	1-day chg (%)
Nifty Pharma	
Dr Reddy's Laboratories	-2.6
Natco Pharma	-2.6
Zydus Lifesciences	-2.5

	1-day chg (%)
Nifty Auto	
Mahindra & Mahindra	-1.2
Maruti Suzuki India	-0.8
Tata Motors	-0.2

Sources: Bloomberg, Exchange; Compiled by BS Research Bureau

Car firms see sales growth crawling at 1-2% in FY26

2-wheeler sales may rise 8-10%

DEEPAK PATEL
New Delhi, 19 February

Major Indian carmakers are bracing for sluggish domestic passenger vehicle (PV) sales growth of just 1-2 per cent in 2025-26, citing weak demand, affordability concerns, declining entry-level car sales, the fading post-pandemic surge, inflation, rupee depreciation against the dollar, and geopolitical uncertainties, *Business Standard* has learnt.

At an internal meeting on Wednesday, members of the Society of Indian Automobile Manufacturers (SIAM) reached a consensus that PV sales could inch up just 0.07 per cent in the current financial year and grow only marginally by 1-2 per cent in the next. In FY24, domestic PV sales stood at 3.89 million units.

In contrast, two-wheeler manufacturers are more optimistic. SIAM estimates two-wheeler volume sales to rise by 8-10 per cent in FY26, mirroring expected growth in FY25.

IDLING

Estimated sales volume growth (% Y-o-Y)

PVs	
2024-25	0.07
2025-26	1-2

■ PV sales volume in FY24 was 3.89 mn units

Two-wheelers

2024-25	10.63
2025-26	8-10

■ Two-wheeler sales volume in FY24 was 17.97 mn units

Source: SIAM

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TRUMP AGAINST TESLA BUILDING FACTORY IN INDIA

“If he (Elon Musk) built the factory (of Tesla) in India, that’s okay, but that’s unfair to us. It’s very unfair”

DONALD TRUMP, US President, in a Fox News interview. Seated beside him was Tesla CEO Musk

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IAF MAY ADVISE GOVT TO BUY STEALTH AIRCRAFT

The Indian Air Force (IAF) may advise the government to buy stealth aircraft as and when its opinion is sought, sources said.

▶ ‘US TARIFF MAY HIT INDIA’S GDP GROWTH BY 60 BPS’ P6

▶ CHARGING INFRA MAY QUALIFY FOR EV INVESTMENT MANDATE P3

P8:WORLD

US Prez blames Ukraine for war, Zelenskyy hits back

India accounts for 47% of generic medicines in US

The Indian Pharmaceutical Alliance (IPA), which represents the country's leading research-driven pharmaceutical firms responsible for nearly 80 per cent of India's pharma exports, stated that the issue would be "discussed through bilateral engagements" between the two countries and further steps would be determined accordingly.

"The Indian pharmaceutical industry plays a vital role in ensuring access to affordable, quality-assured medicines in the US, supplying nearly 47 per cent of its generic medicines and contributing significantly to health care savings," said Sudarshan Jain, secretary general of the IPA. "The proposal regarding reciprocal tariffs is under discussion and is being examined."

Jain underscored the long-standing partnership between India and the US in health care, expressing confidence that continued dialogue among stakeholders would help resolve concerns. "Ensuring the continued availability of affordable medicines remains a shared priority for both nations," he said.

Industry insiders, however, believe that the US may hesitate to impose heavy tariffs on the Indian pharmaceutical sector, given the potential for exacerbating drug shortages. According to the American Society of Health-System Pharmacists, there were shortages of 271 drugs in the US by the third quarter of 2024, down from a record 323 in the first quarter. Manufacturing delays, including disruptions caused by Hurricane Helene, led to 12 new shortages of critical and life-saving fluids. Nearly half of all active shortages (48 per cent) began in 2022 or earlier.

"Patients are forced to skip doses or take less than prescribed due to shortages. The situation is particularly dire for injectables and older generics. Several US manufacturers have ceased generic production due to low prices and thin margins. Additionally, supply disruptions are occurring as manufacturers struggle to meet FDA quality standards," said a Gujarat-based mid-sized exporter.

The managing director and CEO of a leading Indian export-focused firm warned that shifting manufacturing to the US could present additional challenges, particularly in sourcing active pharmaceutical ingredients (APIs), leading to short-to-medium-term shortages. "If tariffs are imposed, there will be significant disruption as companies struggle to pass on additional duties, especially on low-margin products. Some production might shift to companies with manufacturing facilities in the US, but API procurement will become more expensive, given the limited number of API facilities in the US. Finished product costs will rise, and there could be short-to-mid-term shortages," the executive said.

India currently has approximately 640–650 USFDA-approved manufacturing sites, though the number of facilities operated by Indian firms in the US remains unclear. Leading Indian pharmaceutical companies with US manufacturing operations include Sun Pharmaceutical Industries, Cipla, Lupin, and Biocon. The Nifty Pharma index, which declined sharply in early trade, recovered substantially by the end of the trading session.

Abhay Gandhi, CEO (North America Business) of Sun Pharmaceutical Industries, stated during the Q3FY25 analyst call that it remains unclear what form the tariff proposal will take. "You would also be aware that right now, there are confirmatory hearings on certain key appointees, which haven't fructified. The new appointees have not yet taken over their respective functions. So until we know with certainty about actions being taken, it is difficult for us to plan," he had said.

On the automobile front, India hardly exports vehicles to the US. Among Indian automakers, Tata Motors' subsidiary Jaguar Land Rover, which exports from the UK, is likely to be affected. Tata Motors Group CFO P B Balaji said in the Q3 earnings call:

"The US exports more to the UK than the other way around. Therefore, we need to watch and see how that plays out. There's nothing concrete at this point." He acknowledged that new tariffs would pose challenges.

Vinnie Mehta, director general of the Automotive Component Manufacturers Association of India (ACMA), said the industry is closely monitoring developments related to reciprocal tariffs. "Competitiveness is relative — our position will also depend on the tariffs imposed on our competitors. So nothing is clear at this moment as the situation is evolving," Mehta said.

