

US TARIFF JITTERS

Auto part exporters may take a ₹4,500 crore hit

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Indian auto component exporters may suffer an earnings hit of ₹2,700 crore to ₹4,500 crore following the imposition of steep US tariffs on key automotive parts, credit rating agency Icria said in a note on Monday. The new 25 per cent tariff on engines, transmissions, electrical components, and other parts is expected to moderate the industry's revenue growth to 6-8 per cent in FY26, down from the earlier projection of 8-10 per cent.

The US, which accounted for around 8 per cent of the Indian auto component industry's revenues in FY24, recently imposed a 25 per cent import duty effective from May 3. Around 65 per cent of India's auto component export basket is estimated to fall under this tariff regime. Prior to this, a 25 per cent tariff on steel and aluminium content in auto parts was implemented in March.

Icria estimates that if Indian exporters have to absorb 30-50

per cent of the additional costs, they may see a 10-15 per cent impact on operating profits, while the overall auto component industry's operating profits may see a 3-6 per cent impact. Consequently, operating margins could moderate by 150-250 basis points (bps) for exporters and 50-100 bps across the industry in FY26.

"While the auto component suppliers with whom Icria has interacted (with) indicate that most of the incremental costs would be passed on, the extent of pass-through would depend on factors such as the supplier's criticality, share of business, competition, and the technological intensity of components supplied," said Shamsher Dewan, senior vice-president and head of corporate ratings, Icria.

Despite the expected pressures, debt metrics and liquidity are likely to remain "comfortable" for most exporters, the agency said. Exporters with manufacturing operations within the US would also be partly insulated from the new tariffs.