

Limited US exposure provides silver lining for Indian auto sector

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India's auto industry does not expect a significant impact from the latest reciprocal order, since automobile exports to the US are limited, and they are already subject to Section 232 tariffs at 25 per cent, as per President Donald Trump's earlier order on March 26, 2025.

Having said that, industry players noted that they will "continue to monitor the situation" in the coming days.

"We don't expect any significant impact on the Indian automobile industry since there are limited exports to US but we will continue to monitor the situation," Rajesh Menon, Director General, Society of Indian Automobile Manufacturers (SIAM), said.

Acknowledging the recent executive order signed by the US President, as part of the "Liberation Day" initiative, Shradha Suri Marwah, President, Automotive Component Manufacturers Association of India, said: "ACMA remains hopeful that the ongoing bilateral negotiations



REVVING UP. With increase in tariffs, India's EVs have a significant opportunity to expand presence in the US market, particularly in the budget car segment REUTERS

between the Indian and US governments will lead to a balanced resolution that benefits both economies."

LONG-TERM INTEREST

Meanwhile, analysts said that with the increase in US automotive tariffs, India's electric vehicle sector has a significant opportunity to expand its presence in the US market, particularly in the budget car segment.

"In 2023, China's auto and component exports to the US reached \$17.99 billion, while India's exports were only \$2.1 billion in 2024, un-

derscoring the potential for growth. In the auto component sector, India's major exports in 2024 were directed towards Europe (\$6.89 billion), followed by North America (\$6.79 billion) and Asia (\$5.15 billion)," said Saurabh Agarwal, Partner and Automotive Tax Leader at EY.

Although there is a chance to the boost export share to the US due to India's cost-effectiveness compared to developed economies, there is also a risk that key buyers in Europe and Asia may experience a decline in vehicle ex-

ports, which could negatively affect India's overall exports of auto components in those regions, he said.

"Given that the auto sector is subject to special tariffs regardless of origin, the Indian government should enhance the production-linked incentive (PLI) scheme by incorporating more auto components, allowing new players to participate, and extending the scheme by two years. This would strengthen the global competitiveness of domestic industries," he added.

Srikumar Krishnamurthy, Senior Vice President and Co-Group Head, Corporate Ratings, ICRA, also said with higher tariffs being levied on other competing nations, this could also create long-term opportunities for the exporters.

"Exporters dependent on the US are also trying to diversify their revenue base across other geographies (including Asia). Measures to improve value addition, diversification into non-auto segments and cost-optimisation strategies are also being worked upon to reduce the potential impact on margins," he said.