

US AUTO TARIFFS - INDIAN AUTO PLAYERS BRACING FOR THE IMPACT



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Some aspects of the new tariffs remain unclear. As widely reported, India's total exports under Chapter 87 amount to USD 2.6 billion. While it is evident that duties will be imposed on fully built vehicles and CKD (Completely Knocked Down) units, the specific HS codes and components affected are yet to be confirmed. It would be prudent to await the official notification for further clarity.

Among India's automotive exports, USD 268 million is attributed to tractors and tractor parts, but the treatment of these items under the new tariff structure remains uncertain. Key export categories include brake linings, gearboxes, radiators, and axles. While it is fairly certain that gearboxes and axles will attract duties, the status of other components is yet to be determined.

Notably, major Indian component manufacturers with a presence in the U.S. should be able to localize production to mitigate the impact. Additionally, given the structure of global auto supply chains, an immediate and complete halt to supply is unlikely. In our assessment, most Indian exporters will have an opportunity to transition toward local production.

A more significant concern could be the ripple effect on India's exports to other markets, particularly Mexico, if Mexican auto exports to the U.S. are adversely affected. The impact on Indian companies operating in the U.S. and Canada also warrants close monitoring.

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