

Quote by Nikhil Dhaka ,Vice President, Primus Partners

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Trump tariff: Indian auto component industry may face short-term disruptions

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Article Content:

The Indian auto component industry may face short-term disruptions with an adverse impact on pricing strategies and supply chain dynamics due to the recently announced tariffs by United States President Donald Trump, according to sector experts.

Effective August 1, the US will impose a 25% tariff on goods imported from India. Additionally, there will be an unspecified "penalty" owing to India's purchase of Russian oil and military equipment.

As per official details from the Automotive Component Manufacturers Association of India (ACMA), the auto component industry witnessed handsome exports of USD 22.9 billion in FY25.

During the fiscal, North America was the largest export market for the Indian auto component industry, accounting for shipments worth USD 7.35 billion, logging a growth of 8.4% year-on-year (y-o-y). The imports from the region were much lower at USD 1.65 billion.

Among countries, the US was at the top, accounting for 27% of the entire exports from the Indian auto component manufacturers. However, imports from the US were at 7% only.

Referring to the tariffs as a direct challenge to auto component exports, Primus Partners Vice President Nikhil Dhaka said: "For an industry that has been steadily building a global reputation for quality and reliability, the tariff introduces significant cost pressures and creates uncertainty in one of its key destination markets."

While the Indian passenger vehicle (PV) and two-wheeler manufacturers have relatively limited exposure to the US compared to the markets like Europe or Japan, the auto component manufacturers play a critical role in the US supply chain, particularly in drivetrain, engine, chassis and electric vehicle (EV)-related systems.

"Some of the Indian companies likely to be directly affected include Motherson Group (Samvardhana Motherson International), which has significant US operations and customer dependencies, and Sona BLW Precision Forgings (Sona Comstar), known for supplying differential assemblies and electric motor components to global EV manufacturers, including in the US," Dhaka noted.

Grant Thornton Bharat Partner Saket Mehra said that the tariff imposition is expected to "impact pricing strategies and supply chain dynamics".

"Many firms are already exploring alternative markets and considering investments in tariff-neutral zones like Mexico to sustain their global presence,"

Mehra said, adding that companies, particularly those expanding in the US, may need to reassess.