



# TARIFF IMPACT

**Equipment Times** unpacks the ripple effects of US President Donald Trump's Trade Policy on India's Construction Equipment Sector.



In an assertive move echoing his “America First” philosophy, former President Donald Trump—now in his second term as the presumptive Republican nominee and policy architect—has reintroduced a sweeping round of tariffs on a host of imported goods. Chief among the affected are construction machinery, parts, and steel-based industrial components. The policy, which aims to bolster domestic manufacturing and reduce reliance on foreign goods, has already begun to send shockwaves across global supply

chains, with India’s construction equipment (CE) sector finding itself in the eye of the storm.

India, which has grown into a strategic hub for low-cost, high-quality construction equipment manufacturing, now faces an evolving trade climate that could alter export trajectories, cost structures, and even long-term growth plans. With the U.S. being a key export destination for Indian CE manufacturers, this tariff-driven disruption has sparked widespread concern among OEMs, component suppliers, policy think tanks,

and construction industry stakeholders.

#### **THE TARIFF LANDSCAPE: WHAT’S NEW?**

Trump’s new tariff wave, announced in May 2025, specifically aims to bolster domestic manufacturing and reduce trade deficits with countries deemed to have “unfair trade practices.” While China remains the primary target, India has not been spared. Key Indian exports—such as components for excavators, cranes, hydraulic systems, and castings used in construction machinery—are now subjected to a 20–25% import tariff in the U.S.

This move, framed under the “America First 2.0” policy reboot, is expected to have long-term ramifications for Indian CE manufacturers, especially those with strong export dependencies on North American markets.

In May 2025, Trump’s administration announced the reinstatement and expansion of tariffs ranging from 20% to 60% on key industrial goods, including construction equipment, steel products, and heavy machinery components sourced from India, China, and a handful of other Asian economies. Citing trade imbalances, national security concerns, and the need to “bring jobs back to American soil,” the policy directly targets sectors where American manufacturers have lost ground over the past decade.

For India, which exported over \$1.4 billion worth of CE-related goods to the U.S. in FY 2023–24, the decision landed like a thunderclap. Among the hardest-hit are manufacturers of hydraulic components, fabricated steel structures, engine parts, compact equipment, and aftermarket spares.

#### **DOMESTIC MARKET REALIGNMENT: A SILVER LINING?**

Interestingly, while exports may see a short-term dip, the

## PROJECTED TARIFF IMPACT ON INDIAN CONSTRUCTION EQUIPMENT SECTOR (AS OF JUNE 2025)

*Note: The following is an indicative analysis based on recent U.S. tariff announcements and trade expert projections. Specific tariff rates by product category have not been officially detailed by the U.S. government.*

### Broad-Based Tariff Impact

Indian exports are subject to a general 10% universal tariff, along with an additional 26% tariff specific to India under the U.S.'s reciprocal tariff policy.

### Likely Affected Categories

- Hydraulic assemblies, castings, and pumps (used in CE manufacturing)
- Construction machinery sub-assemblies like engines, axles, and transmissions
- Heavy equipment units such as backhoe loaders, excavators, and cranes (if exported in finished form)

### Electric & Hybrid CE Equipment

Potential exemptions or differentiated treatment are under review, especially for environment-friendly technologies.

### Legal Uncertainty

Some of these tariffs are facing legal challenges in U.S. courts, creating uncertainty about long-term applicability.

redirected focus could benefit the Indian domestic market. As international demand softens, CE manufacturers may pivot toward domestic infrastructure and mining projects—sectors that are buoyed by strong government outlays in FY 2025–26.

Additionally, companies may seek opportunities in alternative export markets like the Middle East, Africa, and Southeast Asia—regions with less exposure to American tariff regimes but strong construction growth prospects.

## KEY IMPACTS ON INDIAN CE SECTOR

**Export Hurdles & Supply Chain Disruptions:** The most immediate impact has been the escalation of export costs. Indian CE manufacturers—especially mid-sized OEMs and component exporters who had developed the U.S. as a lucrative growth market—are now grappling with increased duties, longer customs procedures, and

renegotiated contracts. The cost increment makes Indian exports less competitive, especially against manufacturers in tariff-exempt countries or those operating under favorable trade agreements with the U.S.

**Contract Revisions & OEM Partnership Strains:** Indian suppliers who were part of Tier-2 or Tier-3 supply chains for U.S.-based OEMs are now facing requests to absorb part of the cost increase or risk losing business. Joint ventures and technical licensing partnerships—many of which were formed on the premise of predictable U.S. market access—are now being reassessed for viability.

Moreover, U.S. construction equipment giants that had outsourced certain assemblies or sub-systems to India under Build-Operate-Transfer (BOT) models are reportedly considering shifting operations to countries like Mexico or Vietnam to sidestep the tariff drag.

### Steel and Raw Material

**Volatility:** Apart from finished CE exports, Trump's tariff plan also includes duties on flat-rolled steel and steel castings—core materials used in CE manufacturing. Since a substantial portion of India's construction machinery ecosystem relies on integrated sourcing of raw materials, the tariffs are likely to cause ripples across the domestic supply chain, escalating input costs.

This will have a two-fold impact: first, inflating prices for domestic customers, and second, reducing cost competitiveness for Indian CE firms competing globally.

### Investment & Expansion

**Plans on Hold:** Several Indian CE manufacturers had either planned or recently initiated expansion of export-oriented production lines, especially in clusters such as Pune, Bengaluru, and Chennai. With the U.S. market clouded by uncertainty, many of these plans are now frozen.

### Opportunities in Adversity:

**Pivoting Strategy:** While the tariffs undoubtedly create immediate headwinds, Indian CE manufacturers are actively exploring ways to de-risk operations and recalibrate market strategy.

### Diversification to Alternate

**Export Markets:** Markets like Latin America, the Middle East, and Africa are being eyed as alternate growth avenues. Many Indian OEMs are bolstering their dealer and after-sales presence in these regions, attempting to replicate the success models they had in the U.S.

The ASEAN region, too, offers some promise, especially with India's recent efforts to deepen trade ties under the Indo-Pacific Economic Framework (IPEF). Fast-growing economies like Indonesia, Vietnam, and the Philippines are witnessing infrastructure booms that require affordable, durable construction equipment—a niche where Indian manufacturers can shine.

### GOVERNMENT'S ROLE: MITIGATION & POLICY REALIGNMENT

The Indian government has responded to the tariff setback with a multi-pronged strategy:

**Trade Negotiations:** There are active diplomatic discussions aimed at securing an exemption for certain CE sub-sectors or reactivating preferential trade frameworks. Given India's strategic importance as a geopolitical counterweight to China, trade experts believe a partial rollback or modification may be possible.

**Production Linked Incentive (PLI) Boost:** The government is also considering a PLI 2.0 scheme specifically for capital goods and construction equipment exports, aimed at offsetting cost escalations due to tariffs and incentivizing new market development.

**Infrastructure Diplomacy:** India is increasingly using its development aid and infrastructure diplomacy, especially in Africa and South Asia, to provide a ready export channel for Indian-made CE products under concessional financing arrangements.

### LONG-TERM OUTLOOK: RESILIENCE & REINVENTION

The Trump tariff shock, while disruptive, may ultimately catalyze a reinvention of the Indian construction equipment sector's global game plan. It forces a faster transition from low-margin, high-volume exports to innovation-led, technology-intensive manufacturing. Indian OEMs may also become more vertically integrated, controlling raw material and sub-system costs more efficiently.

While the Trump administration's tariff maneuver has undoubtedly complicated the global trade landscape for Indian CE manufacturers, the industry's history of resilience and adaptability offers hope. With strategic foresight, technological upgradation, and market



**Chandrashekar V,**  
MD & CEO,  
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**V. Senthilkumar,**  
Managing Director,  
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diversification, the sector may well transform this challenge into an opportunity.

As global protectionism rises again, India's construction equipment sector must innovate, collaborate, and recalibrate to retain its position in the world's evolving industrial order.

### INDUSTRY REACTS...

**Chandrashekar V, Managing Director & CEO, Gmmco,** said, "As a leading dealer for Caterpillar in India and a key player in the construction and infrastructure ecosystem, Gmmco closely monitors global tariff developments. The evolving tariff landscape is no longer just a macroeconomic narrative—it carries direct implications for machinery movement, cost structures, and project delivery timelines across geographies. The current global trade environment signals a broader shift toward protectionism, regional supply chain realignment, and strategic trade partnerships. For companies like Gmmco, which operate within an interconnected international ecosystem, these changes present both challenges and opportunities. Tariffs on components or finished equipment can influence

pricing, procurement cycles, and investment decisions. At the same time, they create room for local innovation, cost rationalization, and enhanced customer engagement. At Gmmco, we have always prioritized agility and operational resilience. In a dynamic trade scenario, we work closely with our principal partners and suppliers to proactively manage supply chain impacts and ensure continuity of service to our customers. Our objective remains unchanged: to deliver reliable, high-quality solutions that help customers succeed—regardless of external market conditions. India's emergence as a strong player in global manufacturing, supported by policy frameworks such as Atmanirbhar Bharat, offers long-term strategic advantages. Gmmco is aligned with this vision and is committed to strengthening local capabilities while maintaining our global standards of excellence.

In our view, tariffs are a part of an evolving global realignment. While they may introduce short-term volatility, they also push industries to think strategically, operate more efficiently, and invest in sustainable local ecosystems. Gmmco remains future-ready—focused on delivering value through foresight, preparedness, and purpose."

**V. Senthilkumar, Managing Director, Propel Industries,** said, "The recent tariff actions by the United States have introduced a layer of uncertainty in the global construction and mining equipment market, especially affecting international freight movement and logistics costs. While the direct impact on the U.S. market may be minimal, given its relatively strong domestic base, the ripple effects are being felt across the global supply chain. This environment of shifting trade dynamics is compelling American manufacturers to reconsider their sourcing strategies, with India emerging as a viable alternative

for components and equipment. For Indian manufacturers, this represents a significant opportunity to expand their global footprint by catering to markets seeking stable, high-quality, and competitively priced alternatives. The current tariff landscape could incentivize Indian manufacturers to not only explore newer global markets but also strengthen their presence in domestic markets, boosting the “Make in India” initiative. As manufacturers reevaluate their global strategies, we foresee long-term realignments in supply chains, with a greater emphasis on regional sourcing and localized manufacturing. These changes may ultimately enhance India’s role in the global manufacturing ecosystem.”

He further added, “At Propel Industries, we are already seeing the positive side of these global developments. As a leading Indian construction equipment manufacturer of crushing, screening, and washing equipment, we have established our presence in more than 36+ countries and are currently in an aggressive expansion phase. These tariff shifts only strengthen our resolve to explore new markets and deepen our international outreach. While our direct exports to the U.S. remain modest, buyers are increasingly concerned about rising tariffs. However, this shift provides us with an opportunity to enhance competitiveness in other regions, diversify our export base, and reduce dependence on any single market. Back home, the Indian infrastructure sector is stable, supported by strong government investments and policy direction. Unlike in other regions where global trade tensions may disrupt demand, India’s domestic construction equipment market remains resilient and forward-moving. In this context, the tariffs may also serve as a trigger for Indian manufacturers to invest in innovation and quality improvements, enabling them to become more competitive globally in the long run.”



**Amarnath Ramachandran,**  
Managing Director,  
ARX Mining & Construction  
Equipment



**Animesh Nandy,**  
Managing Director,  
BAUER Equipment India

Senthilkumar also said, “With a compound annual growth rate (CAGR) of 40% in the previous financial year, Propel is fully prepared to meet a potential surge in both domestic and international demand. Our ongoing capacity enhancements and streamlined production systems equip us to respond rapidly to market needs. However, to fully capitalize on the opportunities presented by this evolving global trade environment, we believe continued policy support from the Indian government is essential, particularly in stabilizing freight costs and improving logistics infrastructure. Overall, while global tariff uncertainties present challenges, they also open new doors. For Indian construction and mining equipment manufacturers, this is a moment to rise, adapt, and lead on the world stage.”

**Amarnath Ramachandran, Managing Director, ARX Mining & Construction Equipment,** said, “Tariffs from the U.S. will only make construction equipment more expensive for a customer in US as most major American OEMs have their manufacturing units outside U.S. too. Owing to a sudden constriction in demand, there

is a risk of Chinese companies dumping goods elsewhere. We don’t foresee any direct or indirect impact on the Indian mining and construction equipment sector - as pricing of equipment in India is abysmal. It is virtually impossible for an outsider to sell in India. The tariff hike has created supply-chain disruptions to the extent that the Euro has gone up – which does increase prices for us. These cost escalations are always managed through price revisions. Since most specialized components are made by only a handful of global vendors, and volumes don’t justify local manufacturing, we still import some parts from Europe. This is true even for machines made in the U.S. Exploring alternative sourcing isn’t viable, as sourcing and validating a new component takes over two years—simply not practical for our business. India’s demand for infrastructure equipment is on a clear upward trend, and by 2050, we’re set to be the world’s second-largest market for construction equipment. Local demand should remain strong, though component supplies will lag until we become a full-fledged manufacturing economy. It is fairly simple for Arx to meet any possible surges as we work with vendors who are capable of boosting volumes at short notice. Even with tariff hikes, Indian goods remain globally competitive. Export incentives and a continually devaluing rupee make our exports even more attractive on the world stage.”

According to **Animesh Nandy, Managing Director, BAUER Equipment India,** “The imposition of new US tariffs and evolving global trade tensions are reshaping India’s CE landscape. While such measures are likely to increase production costs, raise consumer prices, and tighten OEM margins, they also present a strategic opening for Indian manufacturers. As the US and other developed economies seek robust, technology-forward, long-life construction equipment,

rather than low-cost imports, the shift in sourcing away from China presents a notable opportunity. This reconfiguration of global trade routes is unlocking new potential for Indian exporters—especially those aligned with Make in India and those offering value-engineered, high-quality machines. India is increasingly being viewed as a reliable manufacturing alternative, not just a consumer market. This shift is encouraging both foreign manufacturers to localize (via assembly or greenfield investments) and Indian OEMs to target global markets with confidence. Companies like ours are already witnessing this change, driven by strong delivery records, product superiority, technological innovation, and the total lifecycle value we offer. That said, input costs remain volatile, particularly for imported components, as trade frictions continue to ripple through global supply chains. We are closely monitoring tariff developments, recognizing both the short-term risks and long-term potential they bring.”

**Suresh Babu, CEO – Rentals, Mtandt Group**, said, “At Mtandt Rentals, where uptime and reliability are our brand promise, we’ve experienced moderate disruptions—particularly in importing specialized parts from the U.S. and Europe. However, our proactive procurement strategy



**Suresh Babu,**  
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**Manjunath S,**  
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has helped us manage these challenges. We’ve diversified our supplier base, onboarded local partners for key components, and increased buffer stock levels for high-demand machines. Our focus is now sharply aligned with de-risking the supply chain. We’re engaging more closely with Tier-2 and Tier-3 suppliers in India and Southeast Asia to ensure agility and responsiveness in our rental operations. This also aligns with our broader mission to support ‘Atmanirbhar Bharat’ by strengthening local industry linkages. The disruption in traditional global supply

chains has also opened up new export possibilities for Indian equipment manufacturers and service providers. As global companies look for alternative partners beyond the traditional hubs, Indian firms are gaining traction for being dependable, cost-effective, and increasingly technology-driven. At Mtandt, we’re expanding our export footprint for both products and rental services. Our solutions are finding takers in Southeast Asia, the Middle East, and parts of Africa—markets that value reliability and strong service orientation, which have been our core strengths.”

**Manjunath S, Director - MH Sales, SIOP, Marketing, Doosan Bobcat India**, said, “The U.S. tariff on key raw materials has impacted the CE markets globally which has increased the production costs resulting in higher equipment prices to customers. This has also resulted in project delays and increased operational expenses. Due to this, the industry had to review their sourcing strategies and also reconsider relocation of manufacturing to avoid this tariff scenario. Many projects are being postponed and financial forecasts are becoming more restrained. The impact of tariffs has created instability, limited growth in the global trade of the CE industry. The Indian CE sector is likely to get impacted both directly and indirectly from this tariff actions. Indirectly, global supply chain shifts could create opportunities for India as an alternative manufacturing hub. However, higher global prices for raw materials and components could increase input costs for Indian firms, especially those dependent on imports. Directly, Indian manufacturers could benefit from trade diversions, gaining access to markets where U.S. or Chinese products are less competitive. Nevertheless, the increasing global equipment costs might increase domestic infrastructure project budgets.” ■

