

INDIAN TYRE INDUSTRY

India's tyre exports hit a speed bump on a slowing demand

February 2023



Tyre exports, after recording a strong growth in FY2022 and Q1 FY2023, tapered down in the past few months on account of muted demand from key export destinations, given the global slowdown.

Exports declined by 5% (in units) on a YoY basis in 8M FY2023.

ICRA expects the volume contraction to be temporary; with the recovery in demand, the export volumes are likely to improve gradually, going forward.



- India's tyre exports, which represent around a fourth of the overall tyre industry's revenues, have outpaced growth in domestic tyre demand over the last few years, aided by increasing acceptance of Indian tyres in the overseas markets, focused efforts by companies to scale international business and healthy demand from top export destinations.



- While tyre exports remained strong till Q1 FY2023 (i.e. highest in value terms) during a quarter, exports contracted sequentially since June-2022 on account of macro-economic headwinds impacting demand in the key export destinations. Tyre exports declined by 8% (in volume terms) on a QoQ basis and 6% on a YoY basis in Q2 FY2023. Nevertheless, current-year exports are significantly higher than pre-Covid levels.



- Replacement markets in Europe and the US are the key export destinations for Indian makers, accounting for 30-35% and 18-25% (in value terms), respectively, followed by Brazil, the UAE, Canada, amongst others.



- Tyre exports to Europe witnessed a sharp decline on a MoM basis since June 2022 and recovered marginally in November 2022. On YoY basis, tyre exports to Europe declined by 9% (in volume terms) in 8M FY2023 owing to weak demand. Germany, France, Italy, Netherlands, and the UK are the key export markets for India. Among segments, off-highway tyres dominate the export-mix to Europe, which accounts for around 80% of the overall tyre exports (in value terms) to the region.



- The US is also one of the major export destinations for Indian tyres and accounted for ~19% and 13% in value and volume terms, respectively, of the tyre exports from India in FY2022. Tyre exports to the US declined sequentially since June 2022 and witnessed a sharp contraction on a YoY basis in October and November 2022. Overall, in 8M FY2023, YoY growth has been moderate at 7%.



- Share of tyre exports in the domestic production increased sharply over the past five years to ~15% in FY2022 from ~7% in FY2018. However, given the subdued demand from key export destinations, the share of exports in domestic production is expected to moderate downwards to 12-14% in FY2023.



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