



INDIAN TYRE INDUSTRY

Domestic tyre demand remains favourable while exports continue to be sluggish

SEPTEMBER 2023



1 Tyre demand



2 Trend in exports and imports



3 Tyre supply



4 Raw material price trends



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Peer comparison



Domestic tyre demand is expected to grow at 6-8% in FY2024 driven by growth in replacement volumes and healthy growth in select OE segments such as PVs and T&B.

Tyre exports contracted since Q2 FY2023 on account of muted demand in key export destinations. Export volumes witnessed marginal recovery sequentially in Q1 FY2024; however, export demand is expected to be affected in the next two quarters.

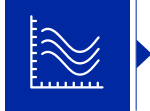
Operating margins are expected to improve by 200-300 bps with softening of input costs.



- Domestic tyre demand is estimated to grow at 6-8% in FY2024 driven by replacement demand growth and healthy growth in select OE segments such as passenger vehicle (PV) and trucks and buses (T&B), supported by demand for personal mobility and healthy infrastructure spends. However, impact of El Nino on monsoons and rural cash flows is monitorable.



- Industry revenues witnessed a muted growth of 1.4% on a YoY basis and 3.5% on a QoQ basis in Q1 FY2024, on account of subdued export demand and impact of high base. Moreover, realisations were flattish as input costs eased in the past two quarters.



- ICRA expects revenue growth for its sample set of seven major tyre manufacturers to moderate to 5-7% in FY2024 (against 19.5% in FY2023). Revenue growth would be driven by volumes while realisations are expected to remain flat. Weak exports would be a drag on revenue growth.



- Tyre exports contracted sequentially since June-2022 on account of macro-economic headwinds impacting demand in the key export destinations. Although export volumes recovered by 6% on sequential basis in Q1 FY2024, on a YoY basis, they dipped by 7%. Exports growth is expected to remain muted in the near term.



- After declining by ~31% in volume in FY2023 impacted by the Government restrictions, tyre imports recovered by ~12% in Q1 FY2024. The impact of withdrawal of ADD on Chinese TBR Tyres in December 2022 is monitorable.



- Margins started to recover in H2 FY2023 given the moderation in natural rubber and crude oil prices since July 2022. Margins are expected to expand by 200-300 bps in FY2024 with expectation of range-bound input prices. However, unfavourable revenue mix could limit the improvement to an extent.



- New capacity expansion plans are expected to take a pause on account of weak global demand and muted growth in replacements along with headroom in available capacities.



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