ICRA

INDIAN TYRE INDUSTRY

Tyre makers ride replacement wave while auto sales growth skids

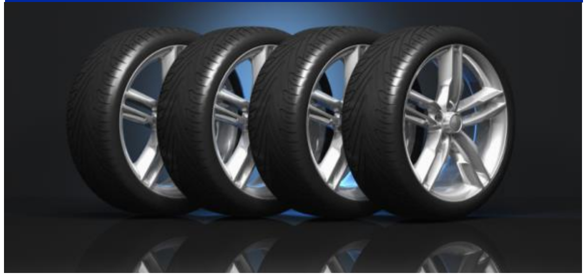
DECEMBER 2024

Agenda

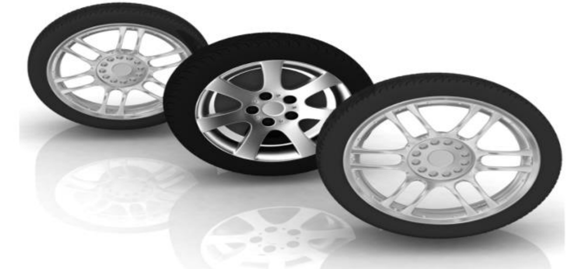
1 Trend in quarterly performance

2 Tyre demand

3 Trend in exports and imports



4 Tyre supply



5 Raw material price trends

6 Financial forecasts

Agenda

7 Peer Comparison

8 Annexure – Indian Economy – Macro Indicators

Highlights

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ICRA maintains the FY2025 revenue growth estimates of 8-10% for Indian tyre industry.

Domestic tyre demand is expected to grow at 6-8% in FY2025, driven by stable replacement volumes, and likely recovery in tyre exports, while OE segment would be a drag.

Operating margins are likely to moderate by 200-400 bps in FY2025 owing to sharp rise in input prices, especially natural rubber (NR). Aw material prices remain elevated despite despite recent corrections.

- **Domestic tyre demand growth is estimated at 6-8% in FY2025** driven by stable replacement markets while OE growth in expected to moderate amid softened demand. The two-wheeler (2W) segment is likely to clock a strong growth on the back of healthy OE demand while the commercial segment was impacted by moderation in demand amid a high base, impact of the General Elections and erratic monsoons in H1.
- **Industry revenues declined ~2% sequentially in Q2 FY2025**, owing to moderation in OE volume growth while replacement and export were stable. On a YoY basis, revenues grew by 6% in Q2 and 7.5% in H1 FY2025 supported by improved realisations, on the back of better product-mix and some price hikes.
- **ICRA expects revenue growth for its sample set of seven major tyre manufacturers to improve by 8-10%** in FY2025, driven by stable growth in domestic volumes and recovery in exports. Realisations are likely to improve as the tyre industry may partially pass on the increased raw material costs to customers.
- **Tyre exports volumes continue to grow steadily,** amid improvement in demand from key export markets such as the US and Europe. While sustained growth remains to be seen given the challenging geo-political situations and elections in many countries, volumes are estimated to improve sequentially in FY2025.
- **Tyre imports grew by ~15% in FY2024 and 9% in H1 FY2025** following a ~31% contraction in FY2023**.** The share of imports in total demand remains low and is unlikely to affect the domestic capacity utilisation.
- **Operating margins are anticipated to contract in FY2025** by 200-400 bps with increasing raw material (especially natural rubber) costs**.** The domestic and global natural rubber prices rose sharply since January 2024 due to supply shortage issues, and remain elevated despite some moderation from peak levels of August 2024. This comes on the back of the industry's peak margins in FY2024, amid softened input costs.
- **New capacity expansion plans are likely to be moderate** in the near term on account of the headroom in available existing capacities. ICRA's sample set is expected to invest ~Rs. 15,000-20,000 crore in expansions over the next three years.

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Thank You!