

INDIAN TYRE INDUSTRY

**Recovery in tyre exports in turmoil
amid Red Sea crisis**

March 2024





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Following a strong 84% expansion in FY2022, tyre exports from India contracted by 7% in FY2023 (in volume terms) and remained flat in 9M FY2024 on account of subdued demand from key export destinations.

ICRA expects export volume growth to remain muted over the next two quarters. The ongoing Red Sea crisis further dampens the prospects for exporters, both from revenues and earnings perspective.



- India's tyre exports, which represent around a fourth of the industry's overall revenues, outpaced growth in domestic tyre demand till FY2022, aided by increasing acceptance of Indian tyres in the overseas markets, focused investments in R&D by companies to scale international business and healthy demand from top export destinations.



- After a strong growth in FY2022, tyre export volumes declined by 7% in FY2023 and remained flat in 9M FY2024 on account of macro-economic headwinds impacting demand in the key export destinations. In value terms, tyre exports declined by 6% in 9M FY2024. 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..



- Recovery in exports is expected to be impacted by the Red Sea crisis, which has resulted in longer transit times for the key export destinations like Europe and the US and increased freight costs owing to longer routes and container shortage. Supply chain disruptions also led to an uptick in natural rubber (NR) prices, resulting in higher input costs for India's tyre industry as ~40% of the NR requirement is imported.



- Tyre exports to Europe declined by 10% in volume in FY2023 and by 3% in 9M FY2024 owing to factors such as economic slowdown, inflationary pressures and uncertain outlook in key nations.



- The US is also one of the major export destinations for the Indian industry and accounted for ~22% of the tyre exports (in value) from India in FY2023. Exports to the US declined sharply in 9M FY2024 by ~26% in volume and ~27% in value, owing to demand contraction from end-user industries amidst weak economic sentiments. While volumes improved sequentially, on a YoY basis, they declined by 6.3% in Q3 FY2024.



- Contraction in tyre export volumes in FY2023 led to a decline in share of exports in tyre production to 13%. Given the further contraction in export volumes, the share of exports is expected to moderate to 11-13% in FY2024 and improve marginally to 12-14% in FY2025 on the back of expected improvement in H2 FY2025.



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Analytical Contact Details

Name	Designation	Email	Contact Number
Shamsher Dewan	Senior Vice-President	shamsherd@icraindia.com	0124- 4545 328
K. Srikumar	Senior Vice-President	ksrikumar@icraindia.com	044 - 4596 4318
Nithya Debbadi	Assistant Vice-President	nithya.debbadi@icraindia.com	040 - 4547 4829
Nikhil Parakh	Senior Associate Analyst	nikhil.parakh@icraindia.com	044 - 4596 4321





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Business Development/Media Contact Details

Name	Designation	Email	Contact Number
L Shivakumar	Chief Business Officer	shivakumar@icraindia.com	022-61693304
Neha Agarwal	Head – Research Sales	neha.agarwal@icraindia.com	022-61693338
Rohit Gupta	Head Business Development – Infrastructure Sector	rohitg@icraindia.com	0124-4545340
Vivek Bhalla	Head Business Development – Financial Sector	vivek.bhalla@icraindia.com	022-61693372
Vipin Saboo	Head Business Development – Corporate Sector – West & East	vipin.saboo@icraindia.com	022-61693348
Shivam Bhatia	Head Business Development – Corporate Sector – North & South	shivam.bhatia@icraindia.com	0124-4545803
Naznin Prodhani	Head – Media & Communications	communications@icraindia.com	0124-4545860





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