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INDIAN TYRE INDUSTRY

Margins to moderate from the elevated levels of FY2024

March 2024

Agenda

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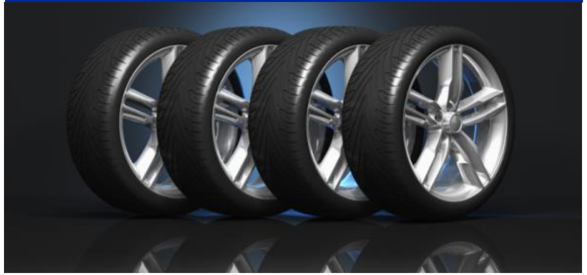
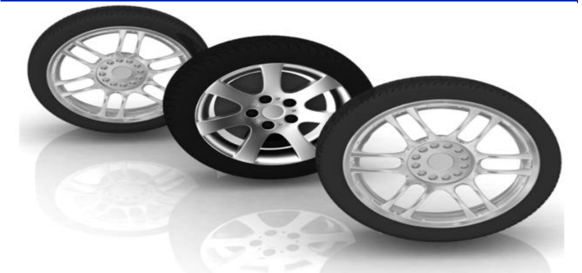
1 Trend in quarterly performance

2 Tyre demand

3 Trend in exports and imports



4 Tyre supply



5 Raw material price trends

6 Financial forecasts

Agenda

7 | **Peer comparison**

Highlights

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Domestic tyre demand is expected to grow at 4-6% in FY2025, driven by growth in replacement volumes and OE segments such as PVs and 2Ws.

Tyre exports contracted since Q2 FY2023 on account of muted demand in key export destinations. Export volumes witnessed sequential recovery in 9M FY2024; however, export volume growth is expected to be muted in the near term.

Operating margins are expected to moderate from the elevated levels of FY2024, given the increasing raw material costs.

- Domestic tyre demand is likely to grow at 6-8% in FY2024 driven by growth in replacement demand and select OE segments. Domestic demand growth may moderate to 4-6% in FY2025 as high base impacts OE demand growth. Consumer segments are expected to record healthy growth while commercial segments' growth would be impacted by high base and impact of the General Elections on Government capex
- Industry revenues witnessed muted growth of 2.6% on a YoY basis in 9M FY2024, on account of contraction in exports and impact of high base on domestic volume growth. Moreover, realisations were flattish as input costs eased in the past four quarters.
- ICRA expects revenue growth for its sample set of seven major tyre manufacturers to moderate to 3-5% in FY2024. However, revenue growth is expected to improve to 5-7% in FY2025 driven by growth in domestic volumes and modest growth in exports on a contracted base. Realisations are expected to be muted
- Tyre exports have been subdued since June 2022 on account of macro-economic headwinds impacting demand in the key export destinations. Export volumes recovered on a sequential basis, but still lagged the past levels, both in volumes and values. The growth is expected to remain muted in the near term.
- After declining by ~31% in volume in FY2023, tyre imports recovered and grew by ~15% in 9M FY2024. Nevertheless, the share of imports in total demand remains low.
- Operating margins expanded to 16.8% in 9M FY2024 from 10.9% in FY2023 on the back of softened input costs. Margins are expected to expand by 400-600 bps in FY2024 but moderate in FY2025 with increasing raw material (natural rubber and crude) prices and limited flexibility in passing on the same to customers owing to already elevated prices.
- New capacity expansion plans are expected to take a pause on account of the weak global demand and muted growth in replacements along with headroom in available capacities.

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Thank You!