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INDIAN TYRE INDUSTRY

Domestic tyre demand expected to grow by 6-8% in FY2026

MARCH 2025

Agenda

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Highlights

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Domestic tyre demand is expected to grow at 6-8% in FY2026, driven by stable replacement volumes, healthy export volumes, and recovery in select OE segments.

Operating margins are likely to moderate by 200-400 bps in FY2025 owing to sharp rise in input prices, especially natural rubber (NR). Raw material prices remain elevated despite marginal corrections. Hence, margins are expected to remain at 12-14% in FY2026.

- **Domestic tyre demand growth is estimated at 6-8% in FY2026** driven by stable replacement markets while original equipment (OE) growth in expected to improve with likely recovery in passenger vehicle (PV) and commercial vehicle (CV) demand. This comes on the back of estimated 6-8% growth in FY2026. The two-wheeler (2W) segment is likely to clock a healthy growth on the back of healthy OE demand.
- **Industry revenues grew by 1% on a sequential basis in Q3 FY2025**, supported by healthy replacement and export volumes, while OE volumes remained a drag. On a YoY basis, revenues grew by 9% in Q3 and 7.8% in 9M 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 grow by 8-10%** in FY2025, driven by stable growth in domestic volumes and recovery in exports. Revenue growth is likely to moderate to 6-8% in FY2026 owing to limited upside in realisations, which are already at elevated levels.
- **Tyre exports volumes continue to grow steadily,** amid improvement in demand from key export markets such as the US and Europe. However, the impact of the recent tariff amendment to US import, on revenues/margins of Indian exporters remains a key monitorable.
- **Tyre imports grew by ~15% in FY2024 and remained flat in 9M 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 (NR) prices rose sharply since January 2024 due to supply shortage issues. While NR prices moderated marginally from its peak levels, they continue to remain elevated, which is likely to limit margin expansion in FY2026.
- **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.

Analytical Contact Details

Name	Designation	Email	Contact Number
Shamsher Dewan	Senior Vice-President and Group Head	shamsherd@icraindia.com	0124- 4545 328
K. Srikumar	Senior Vice-President and Co-Group Head	ksrikumar@icraindia.com	044 - 4596 4318
Nithya Debbadi	Assistant Vice-President and Sector Head	nithya.debbadi@icraindia.com	040 – 6939 6416
Nikhil Parakh	Analyst	nikhil.parakh@icraindia.com	044 - 4596 4321

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
Vinita Baid	Head Business Development – Corporate Sector - West & East	vinita.baid@icraindia.com	033-71501131
Shivam Bhatia	Head Business Development – Corporate Sector - North & South	shivam.bhatia@icraindia.com	0124-4545803
Naznin Prodhani	Head - Group Corporate Communications & Media Relations	communications@icraindia.com	0124-4545860

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Thank You!