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INDIAN TYRE INDUSTRY

Tyre industry rolls into FY2026 navigating slower OE demand and export related uncertainties

JUNE 2025

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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. Impact of US tariffs on tyre exports remains a monitorable.

Operating margins are likely to improve marginally, after a 290-bps correction in FY2025, aided by stabilisation of natural rubber (NR), price hikes in the past, and moderation in crude oil prices. NR prices remain elevated despite marginal corrections, limiting the margin improvement.

- **Domestic tyre demand growth is estimated at 6-8% in FY2026** driven by stable replacement demand. Original equipment (OE) growth in estimated to be driven by two-wheelers (2Ws), while commercial vehicle (CV) and passenger vehicle (PV) segments are likely to clock a modest, low single-digit growth.
- **Industry revenues grew by 3% on a sequential basis in Q4 FY2025**, supported by healthy replacement and export volumes, while OE volumes remained a drag. On a YoY basis, revenues grew by around 8% in Q4 and FY2025 supported by improved realisations, on the back of better product mix and some price hikes.
- **ICRA expects revenue for its sample set of seven major tyre manufacturers to grow by 7-9%** in FY2026, driven by stable growth in domestic volumes. Improvement in realisations will be largely driven by product mix.
- **Tyre exports are likely to face challenges from the sharp rise in import tariff by the US,** the top export destination for Indian tyres. The impact of inflation, stemming from higher tariffs, on demand and the relative competitiveness of Indian tyres remain key monitorables.
- **Tyre imports declined by 9% in FY2025** after a 15% growth in FY2024**.** The share of imports in the total demand pie remains low and is unlikely to affect domestic capacity utilisation.
- **Operating margins expected to improve marginally in FY2026** on the back of price hikes by the industry, moderation in crude oil prices and stable NR prices. However, NR prices continue to be elevated, which is likely to limit the margin expansion.
- **New capacity expansion plans are likely to be moderate** in the near term on account of the headroom in existing capacities. ICRA's sample set is estimated to invest Rs. 20,000-25,000 crore in expansions over the next three years.

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Thank You!