

# INDIAN TYRE INDUSTRY

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**Easing rubber prices and moderation  
in crude oil prices expected to support  
margin recovery in H2 FY2023**

**September 2022**



## 1 Trend in quarterly performance



## 2 Tyre demand



## 3 Trend in exports and imports



## 4 Tyre supply



## 5 Raw material price trends

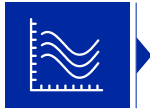


## 6 Financial forecasts



*Domestic tyre demand is expected to grow at 6-8% in FY2023. Exports continue to witness robust growth. The tyre industry's revenues grew by 40.3% YoY in Q1 FY2023, largely supported by low base and growth in exports and realisations.*

*Profit margins in Q1 FY2023 were affected by commodity inflation. However, operating margins are expected to recover significantly in H2 FY2023 with softening natural rubber and crude oil prices.*



- Tyre demand recovered in FY2022 with estimated growth of 11-13%. Easing semiconductor shortage, recovery in PV and CV demand, and healthy tractor volumes are expected to support OE demand growth in FY2023. ICRA expects replacement demand to recover and record a mid-single digit growth in FY2023.

- Domestic tyre demand is likely to grow at a CAGR of 6-8% (units) YoY in FY2023-25 driven by healthy recovery in OE demand and stable replacement volumes.

- Industry revenues continued to breach all-time high levels in Q1 FY2023, driven by the growth in export volumes and higher realisations. Nevertheless, operating margins contracted by over 100 bps in Q1 FY2023 to 9.2% due to commodity price inflation.

- Tyre exports have been strong in the last four quarters with Q1 FY2023 recording the highest exports (in value), led by growth across the segments despite the high base. Despite macro-economic headwinds, export prospects remain healthy with increased acceptance for Indian tyres globally.

- Tyre imports declined by ~29% in Q1 FY2023 in volume. Tyre imports have been impacted by the restriction placed in June 2020 by the Director General of Foreign Trade (DGFT) on all categories of tyres imported under the restricted category.

- While the margins in Q1 FY2023 were impacted by increase in prices of natural rubber and other crude derivatives, the same are expected to recover in H2 FY2023, given the moderation in natural rubber and crude oil prices since July 2022 and price hikes taken by the industry in the past few quarters.

- With improving domestic and export demand, capex executions have resumed in the last few quarters after a hiatus. However, ICRA expects tyre players to adopt a wait-and-watch strategy towards new capex announcements.



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