

Tyre industry to spend over ₹20,000 cr in 3 years: ICRA

OUR BUREAU

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As the demand outlook remains favourable amid the threat of third wave of the pandemic, the tyre industry is seeing a revival in capex spend towards capacity addition. The proposed capex by the companies is estimated at more than ₹20,000 crore over the next three years, according to rating agency ICRA.

Following two years of contraction (down 9 per cent each in FY20 and FY21), tyre demand has recovered sharply in FY22. The impact of the pandemic on demand has been relatively less compared to other auto components. This is given its higher skew (about 60 per cent) on the after-market segment.

The tyre industry is relatively better protected from any potential impact of Omicron due to its large dependence on the stable re-

placement market and learnings from earlier waves. Industry players gear up for next round of investments towards capacity enhancements, it said.

For H1 FY22, tyre demand grew by optically higher levels (about 50 per cent y-o-y) amid low base and for Q2 FY22, the growth was 8.6 per cent y-o-y on the back of a 9.3 per cent growth in replacement segment and muted 1.5 per cent growth in the OE segment.



Overseas markets

With increasing acceptance of Indian tyres in the overseas markets, tyre exports have seen a sharp growth in the current year with healthy demand from destinations like the US and Europe. Tyre imports continue to remain low on the back of government regulations, thus favouring domestic players. .