# Infomerics Analytics & Research

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# Industry Report on Rubber (Tyre) Industry

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# 1. Indian Macro Economy an overview

The global economy exhibited steady yet uneven growth across regions in 2024. A notable trend was the slowdown in global manufacturing, especially in Europe and parts of Asia, due to supply chain disruptions and weak external demand. In contrast, the services sector performed better, supporting growth in many economies. Inflationary pressures eased in most economies. However, services inflation has remained persistent. Although commodity prices have stabilised, the risk of synchronised price increases persists. With growth varying across economies and last-mile disinflation proving sticky, central banks may chart varying paths of monetary easing. This will lead to uncertainty over future policy rates and inflation trajectories. This apart, geopolitical tensions, ongoing conflicts, and trade policy risks continue to pose significant challenges to global economic stability.

In this global context, India displayed steady economic growth. As per the first advance estimates of national accounts, India's real GDP is estimated to grow by 6.4 per cent in FY25. Growth in the first half of FY25 was supported by agriculture and services, with rural demand improving on the back of record Kharif production and favourable agricultural conditions. The manufacturing sector faced pressures due to weak global demand and domestic seasonal conditions. Private consumption remained stable, reflecting steady domestic demand. Fiscal discipline and strong external balance supported by a services trade surplus and healthy remittance growth contributed to macroeconomic stability. Together, these factors provided a solid foundation for sustained growth amid external uncertainties.

Looking ahead, India's economic prospects for FY26 are balanced. Headwinds to growth include elevated geopolitical and trade uncertainties and possible commodity price shocks. Domestically, the translation of order books of private capital goods sector into sustained investment pick-up, improvements in consumer confidence, and corporate wage pick-up will be key to promoting growth. Rural demand backed by a rebound in agricultural production, an anticipated easing of food inflation and a stable macro-economic environment provide an upside to near-term growth. Overall, India will need to improve its global competitiveness through grassroots-level structural reforms and deregulation to reinforce its medium-term growth potential.

## Snapshots on key Economic Indicators: -

### Foreign Direct Investment: -

Foreign Direct Investment, the subject of much analysis, has held up. RBI data on India's Balance of Payments shows us that the investment interest of external investors, measured in terms of dollar inflows of new capital, was USD45.8 billion in FY24 compared to USD47.6 billion in FY23. This slight decline is in line with global trends. Reinvestment of earnings remained the same. Repatriation of investment was USD29.3 billion in FY23 and USD44.5 billion in FY24. Many private equity investors took advantage of buoyant equity markets in India and exited profitably. It is a sign of a healthy market environment that offers profitable exits to investors, which will bring newer investments in the years to come. That said, the environment for foreign direct investment to grow in the coming years is not highly favourable for many reasons.

### Employment generation: -

It is worth reiterating that job creation happens mainly in the private sector. Second, many (not all) of the issues that influence economic growth, job creation and productivity and the actions to be taken therein are in the domain of state governments. So, in other words, India needs a tripartite compact, more than ever before, to deliver on the higher and rising aspirations of Indians and complete the journey to Viksit Bharat by 2047.

In more than one respect, the action lies with the private sector. In terms of financial performance, the corporate sector has never had it so good. Results of a sample of over 33,000 companies show that, in the three years between FY20 and FY23, the profit before taxes of the Indian corporate sector nearly quadrupled. Further, newspaper headlines told us that the corporate profits-to-GDP ratio rose to a 15-year high in FY24. Business Line reported, "The corporate profit for the Nifty-500 universe was up 30 per cent last fiscal to ₹14.11-lakh crore against ₹10.88 lakh crore in FY23. The nominal GDP grew 9.6 per cent y-o-y to ₹295-lakh crore (₹269-lakh crore)". Hiring and compensation growth hardly kept up with it. But, it is in the interest of the companies to step up hiring and worker compensation.

Between FY19 and FY23, the cumulative growth in private sector non-financial Gross Fixed Capital Formation (GFCF) is 52% in current prices. During the same period, the cumulative growth in general government (which includes states) is 64%. The gap does not appear to be too wide.

Private sector GFCF in machinery and equipment and intellectual property products has grown cumulatively by only 35% in the four years to FY23. Meanwhile, its GFCF in 'Dwellings, other buildings and structures' has increased by 105%. This is not a healthy mix. Second, the slow pace of investment in M&E and IP Products will delay

India's quest to raise the manufacturing share of GDP, delay the improvement in India's manufacturing competitiveness, and create only a smaller number of higher-quality formal jobs than otherwise.

Nonetheless, there is a silver lining in the data. In the two years since FY21, GFCF by the private sector has grown faster. General government GFCF rose a cumulative 42% between FY21 and FY23. Non-Financial Private Sector's overall GFCF increased by 51%; investment in Machinery and Equipment and Intellectual Property Products increased by 38%. So, the growth in these two critical sub-components of Private Sector GFCF is similar to that of the overall GFCF by the General Government. This is a statistic that bears watching. They should continue to invest. To do so, they need demand visibility. That comes from employment and income growth.

**Agriculture can be a growth engine:-**

The agriculture sector is one area ripe for and in need of such a pan-India dialogue. Agriculture and farmers matter for a nation. Most countries understand that. India is no exception. India subsidises their water, electricity and fertilisers. The former two are provided virtually free. Their incomes are not taxed. The government offers them a minimum support price (MSP) for 23 selected commodities. Monthly cash support is offered to farmers through the PM-KISAN scheme. Indian governments – national and sub-national –write off their loans. So, governments in India spend enough resources to look after the farmers well. Yet, a case can be made that they can be served better with some re-orientation of existing and new policies.

**Unleashing small enterprises:-**

Another area where policy intentions have yet to manifest in desired outcomes is with respect to small, medium, and large enterprises. Earlier, several products were reserved for small scale industries. That was phased out as it benefitted neither the small-scale industries nor the overall economy. Recent concerted efforts at formalising them are making progress. Progress is relatively slower on access to finance. Buyers and creditors are shedding old mindsets and practices too slowly for these enterprises to feel the effect. However, these enterprises need maximum relief from the compliance burdens they face. Laws, rules and regulations stretch their finances, abilities and bandwidth, perhaps robbing them of the will to grow.

**Final words: -**

The tripartite compact that this country needs to become a developed nation amidst emerging unprecedented global challenges is for governments to trust and let go, for the private sector to reciprocate the trust with long-term thinking and fair conduct and for the public to take responsibility for their finances and their physical and mental health.

# 2. An overview on Macro Economy Parameters

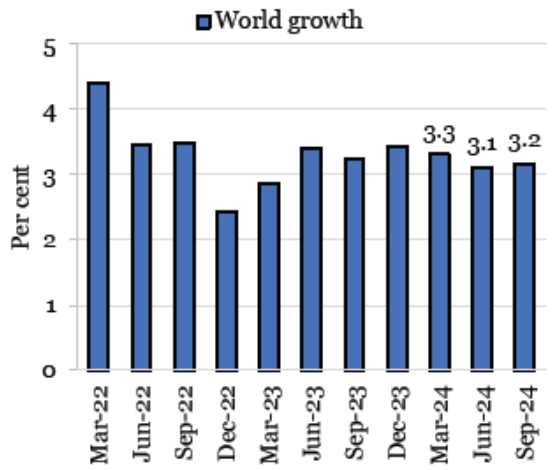
Global economic conditions are shaped by changing growth dynamics, fluctuating commodity prices, and evolving monetary policies, which influence domestic inflation, trade balances, and capital flows. At present, this interconnectedness is complicated by unusual levels of geopolitical tensions, supply chain disruptions, and climate-related shocks. Against this background, this chapter is organised broadly into four sections. The first section outlines the global economic scenario comprehensively, highlighting growth and inflation trends, policy stances, and key emerging risks and uncertainties. The second section focuses on the domestic macroeconomic situation, examining developments from the demand and supply sides. The third section delves into the emerging trends in public finances, inflation, external sector, financial markets and employment. The concluding section presents the prospects and outlook for growth in the presence of global headwinds while capitalising on domestic growth drivers.

**GLOBAL ECONOMIC SCENARIO: -**

Globally, 2024 has been an eventful year. The year witnessed unprecedented electoral activity on the political front, with more than half of the global population voting in major elections across countries. Meanwhile, adverse developments like the Russia-Ukraine conflict and the Israel-Hamas conflict increased regional instability. These events impacted energy and food security, leading to higher prices and rising inflation. Cyberattacks also became more frequent and severe, with growing human and financial consequences due to the increasing digitisation of critical infrastructure. Geopolitical tensions have reshaped global trade. Geopolitical risks and policy uncertainty, especially around trade policies, have also contributed to increased volatility in global financial markets

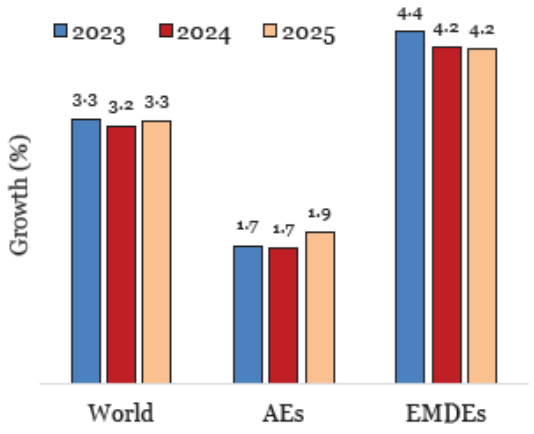
Nonetheless, global economic growth has remained fairly moderate. The global economy grew by 3.3 per cent in 2023. The International Monetary Fund (IMF) has projected growth of 3.2 per cent and 3.3 per cent for 2024 and 2025, respectively. Over the next five years, global growth is expected to average around 3.2 per cent, which is modest by historical standards. While the overall global outlook remains steady, growth varies across different regions. Further, geopolitical developments and monetary policy changes across countries resulted in increased caution among investors, culminating in moderation in foreign direct investment (FDI) flows.

**Chart I.1: Resilient global growth trends in 2024**




Source: OECD Economic Outlook, Volume 2024 Issue 2.

**Chart I.2: Steady growth outlook across country groups**




Source: IMF WEO (January 2025)

Note: AEs- Advanced Economies, EMDEs- Emerging market and developing economies

Despite higher interest rates, advanced economies (AEs) witnessed stable growth in the first half of 2024. This was on account of moderating inflation and sustained employment and consumption. However, the growth outlook differs between the United States (US) and the Euro Area. Growth in the US is expected to remain strong at 2.8 per cent in 2024 and may decline slightly in 2025, reflecting a moderation in consumption and exports.

In the Euro area, growth is expected to improve from 0.4 per cent in 2023 to 0.8 per cent in 2024 and further to 1.0 per cent in 2025 on the back of improving services activity. However, growth outcomes in Europe have been varied. Some countries like Spain, France, Poland, and the United Kingdom have benefitted from the strength of their services sector. Meanwhile, manufacturing-intensive countries like Germany and Austria are being weighed down by weak demand.5 Germany's structural weaknesses, particularly in manufacturing, have been noticeable, contributing to the slackness in Europe's manufacturing. Political developments in France and Germany are also adding to policy uncertainty in Europe's major economies.

**Chart I.3: Structural weakness in the German economy**

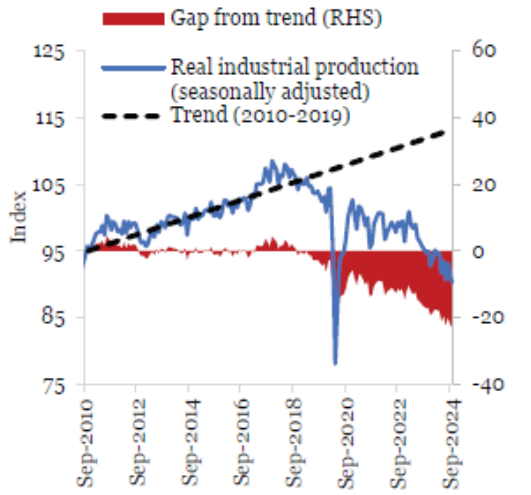
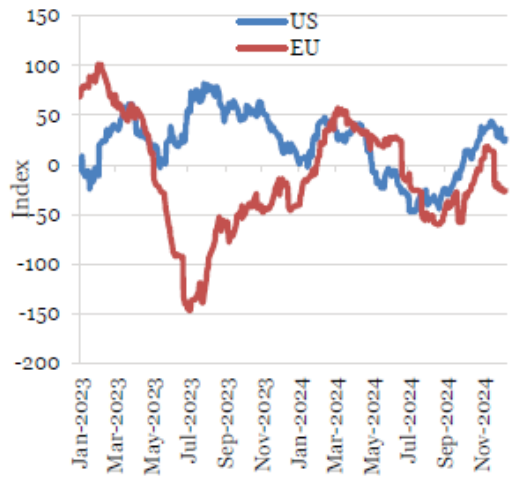



**Chart I.4: Citi Economic Surprise Indices indicating unexpected resilience of the US**

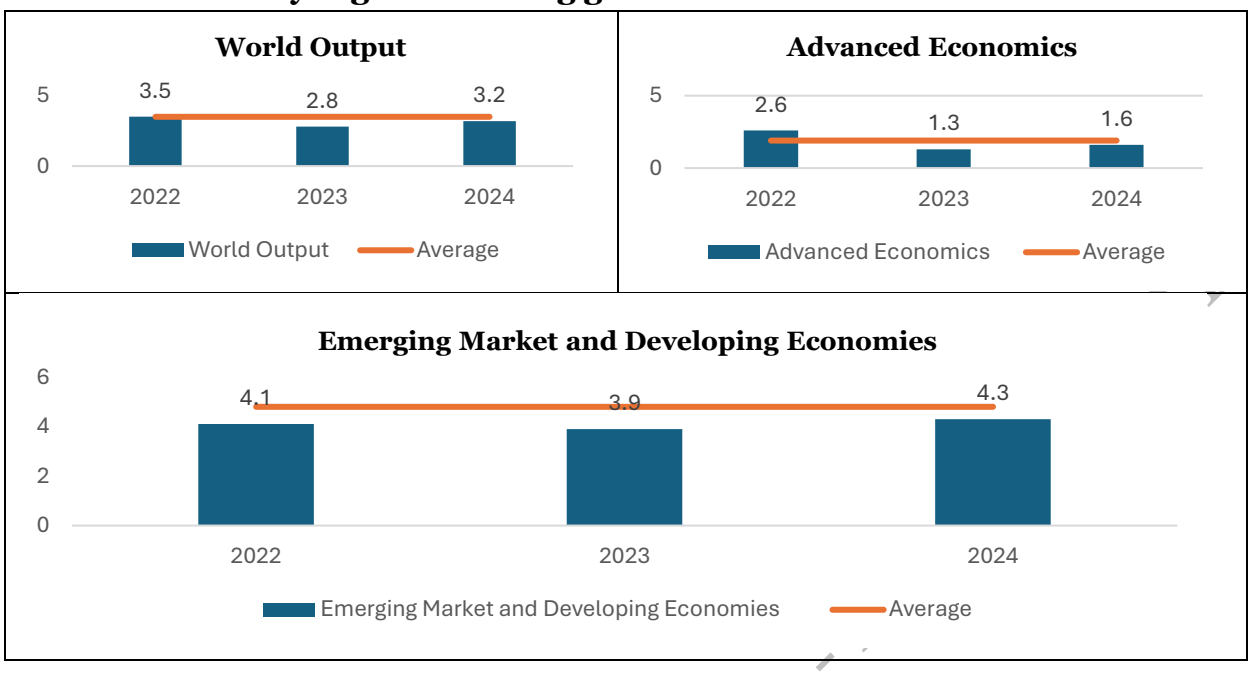



Source: Bloomberg

The divergence of the growth trajectories of Europe and the US can also be seen in Citi Economic Surprises indices for these countries. These indices compare actual data releases with analyst expectations. A value above zero indicates the data was stronger than analyst expectations, while a negative value indicates weaker actual data compared to expectations. Between January 2023 and November 2024, data for the US economy continued to present more 'positive' surprises than the EU, compared to the analyst estimates.

Within Asia, Japan's growth was hindered by domestic supply disruptions in the early part of the year, while China's growth weakened after the first quarter, affected by sluggish private consumption and investment, alongside challenges in the real estate sector.

## Global economy registers strong growth



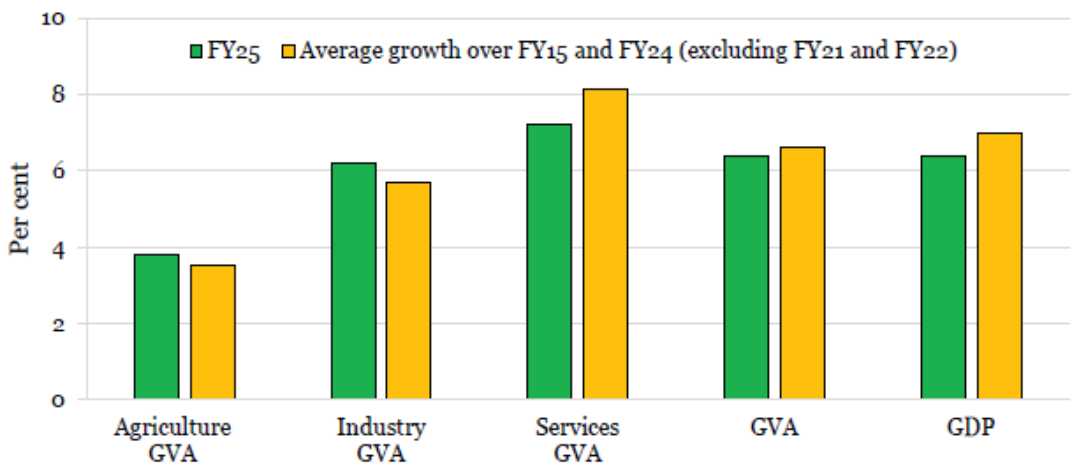

## All major economies have surpassed pre-pandemic GDP levels:-

| Country | Year in which crossed pre pandemic GDP (constant prices, national currency) | Ratio of GDP (constant prices, national currency) in 2023 to corresponding level in 2019 |
|---|---|---|
| United States | 2021 | 108 |
| China | 2020 | 120 |
| France | 2022 | 102 |
| Germany | 2022 | 101 |
| United Kingdom | 2022 | 102 |
| Japan | 2023 | 101 |
| India | 2021 | 120 |
| Brazil | 2021 | 107 |

**Domestic Economy: -**

As per the first advance estimates released by the National Statistical Office, Ministry of Statistics & Programme Implementation (MoSPI), the real gross domestic product (GDP) growth for FY25 is estimated to be 6.4 per cent. From the angle of aggregate demand in the economy, private final consumption expenditure at constant prices is estimated to grow by 7.3 per cent, driven by a rebound in rural demand. PFCE as a share of GDP (at current prices) is estimated to increase from 60.3 per cent in FY24 to 61.8 per cent in FY25. This share is the highest since FY03. Gross fixed capital formation (GFCF) (at constant prices) is estimated to grow by 6.4 per cent.

**Chart I.20: Despite global uncertainty, India's growth remains close to decadal average (at constant prices)**




Source: Calculations based on Statement 13: Annual and Quarterly Estimates of GDP at constant prices, MoSPI
Note: FY25 values are First Advance Estimates.

On the supply side, real gross value added (GVA) is also estimated to grow by 6.4 per cent. The agriculture sector is expected to rebound to a growth of 3.8 per cent in FY25. The industrial sector is estimated to grow by 6.2 per cent in FY25. Strong growth rates in construction activities and electricity, gas, water supply and other utility services are expected to support industrial expansion. Growth in the services sector is expected to remain robust at 7.2 per cent, driven by healthy activity in financial, real estate, professional services, public administration, defence, and other services. The analysis of growth trends in this chapter, hereinafter, is mostly based on the trends in the first half (H1) of FY25, on which the information base is more comprehensive.

**Resilient recovery**

The COVID-19 pandemic caused widespread disruptions to economies worldwide. Economic Survey 2023-24 compared the post-pandemic trends until Q4 FY24 with the pre-pandemic trajectory and concluded that the economy grew briskly enough to avert any permanent loss of output.

The overall picture is encouraging. Aggregate GVA surpassed its pre-pandemic trend in Q1 FY25, and it now hovers above the trend in the H1 FY25. The agriculture sector remains strong, consistently operating well above trend levels. The industrial sector has also found its footing above the pre-pandemic trajectory. The robust rate of growth in the recent years has taken the services sector close to its trend levels

A closer look at industrial sub-sectors reveals a spectrum of performances. Construction has been a standout, gaining momentum since mid-FY21 and soaring approximately 15 per cent above its pre-pandemic trend—an impressive feat driven by robust infrastructure development and housing demand. The utilities sector, including electricity, gas, water supply, and other services, reached its pre-pandemic trend by the end of FY23 and has consistently stayed above these levels. Manufacturing, while steadily recovering, remains slightly below its pre-pandemic trajectory. Meanwhile, mining continues to operate below its pre-pandemic trend.

The recovery within the services sector has been uneven. Financial, real estate and professional services have taken the lead, surpassing pre-pandemic trend levels by the end of FY23. Public administration, defence, and other services followed suit, exceeding the trend for the first time in Q1 of FY25 since the onset of the pandemic. However, trade, hotels, transport, and communication services are gradually catching up with the pre-pandemic trend. These contact-intensive sectors faced challenges due to lockdown, restricted demand for travel, and reduced demand for hospitality, entertainment, and personal services.

**Chart I.21: Aggregate GVA recovery continues**

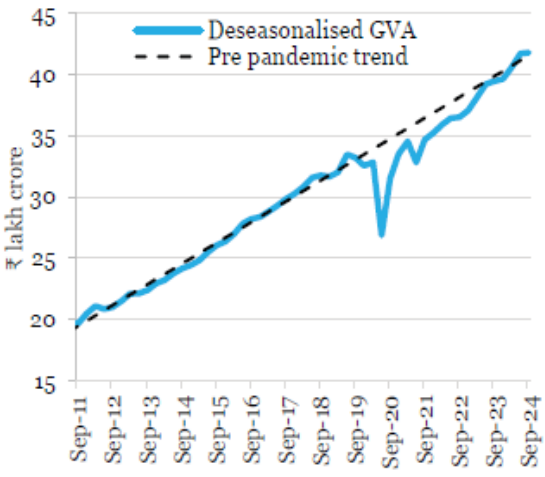



**Chart I.22: Agriculture GVA sustained at higher levels**

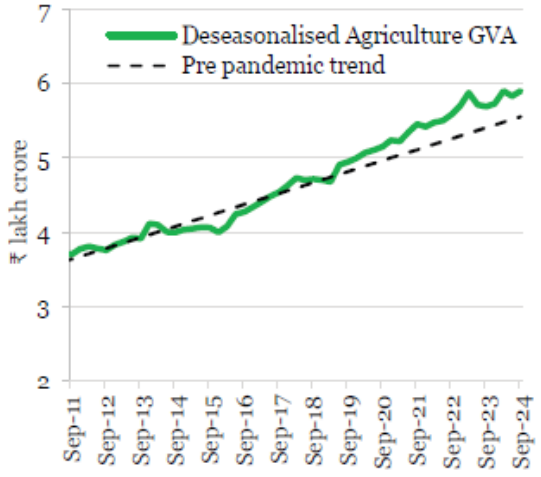



**Chart I.23: Industrial GVA operating above the trend level**

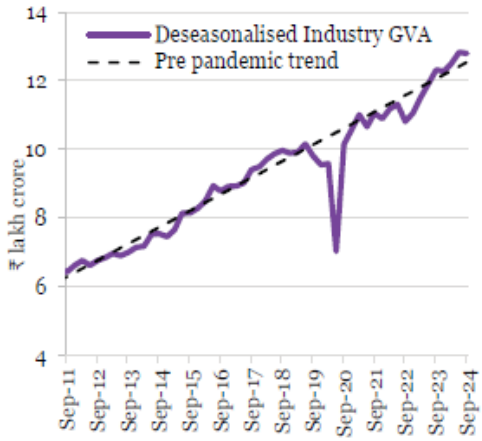



**Chart I.24: Services GVA is close to its trend**

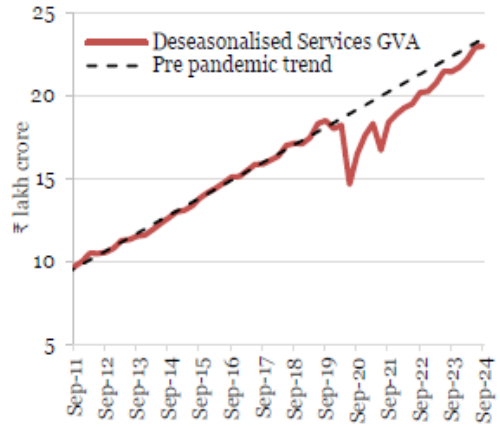



**Chart I.25: Construction GVA operating well above trend levels, and manufacturing GVA gradually recovering**

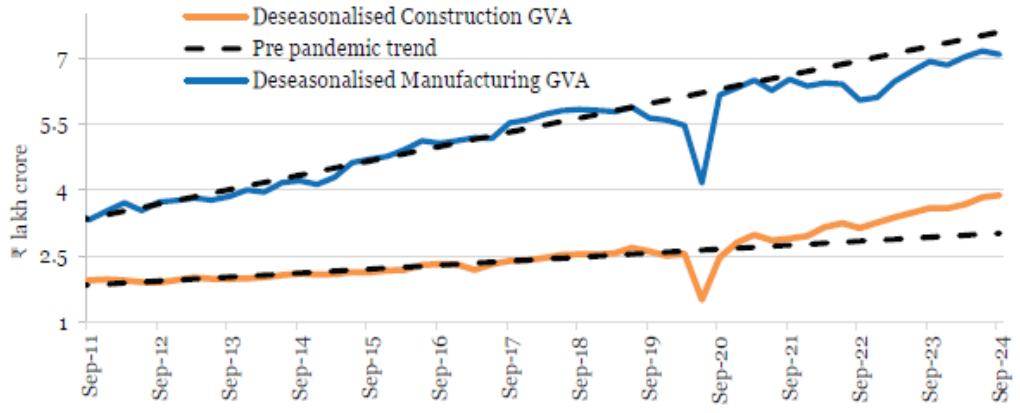
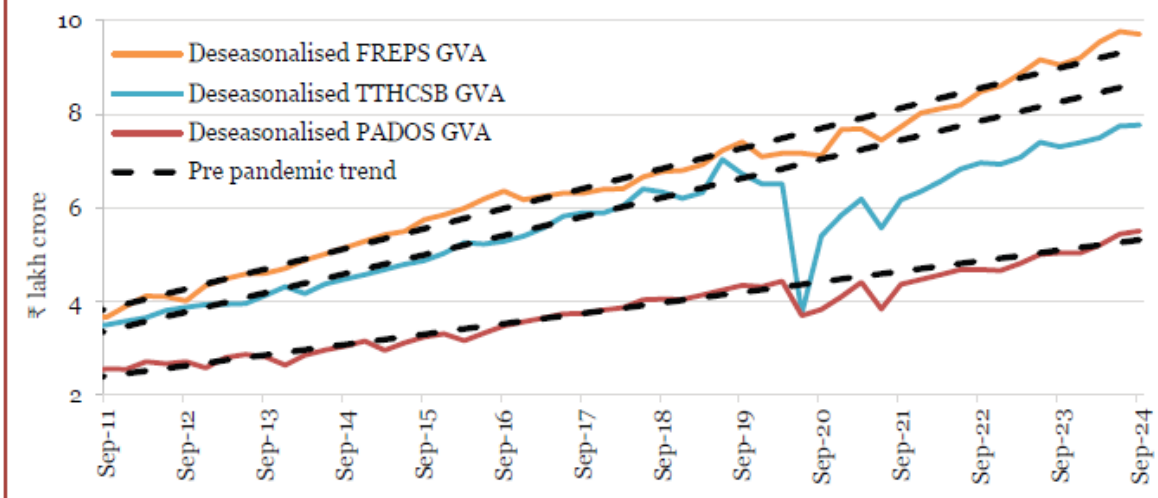


**Chart I.26: Uneven recovery within the services sector**




Source: Calculations based on Statement 13: Annual and Quarterly Estimates of GDP at constant prices, MoSPI

Note: i) **FREPS**- Financial, real estate and professional services ii) **TTHCSB** – Trade, transport, hotel, communication and services related to broadcasting iii) **PADOS** - Public administration, defence & other services.

All de-seasonalised variables are derived from National Accounts variables at constant (2011-12) prices.

## Growth in H1 FY25 driven by agriculture and services sector

The real GVA grew by 6.2 per cent in H1 FY25. A strong growth momentum in Q1 FY25 was followed by a subdued performance in Q2 FY25. The agriculture and services sectors emerged as key growth drivers during this period. However, the overall growth was tempered by moderation in industrial growth, particularly in manufacturing, which faced challenges from slowing global demand and supply chain disruptions

India's GDP at constant (2011-12) prices grew by 6.7 per cent and 5.4 per cent in Q1 and Q2 FY25, respectively. This implied a real GDP growth of 6.0 per cent in the first half of the current fiscal.

**Chart I.29: GDP growth in H1 FY25 at 6.0 per cent**

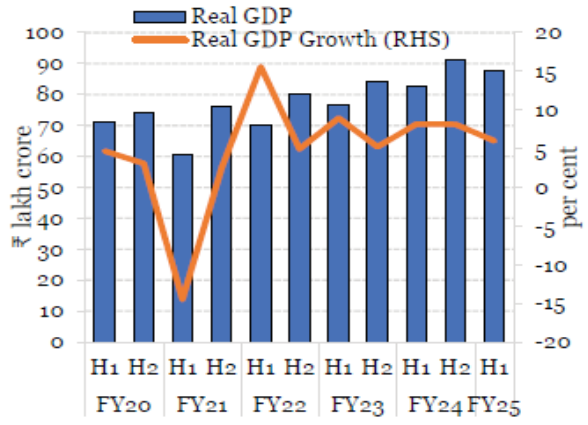
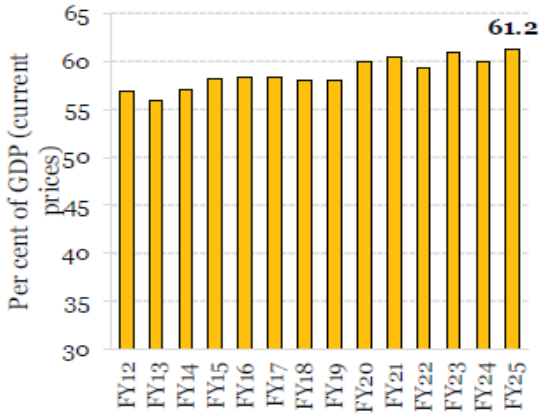
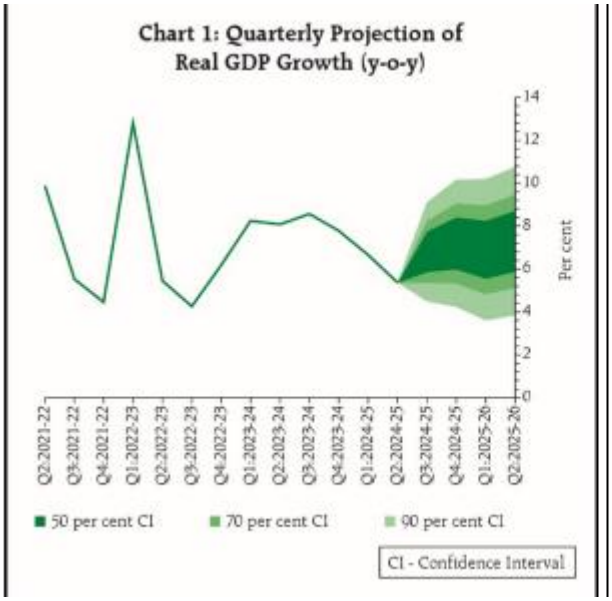
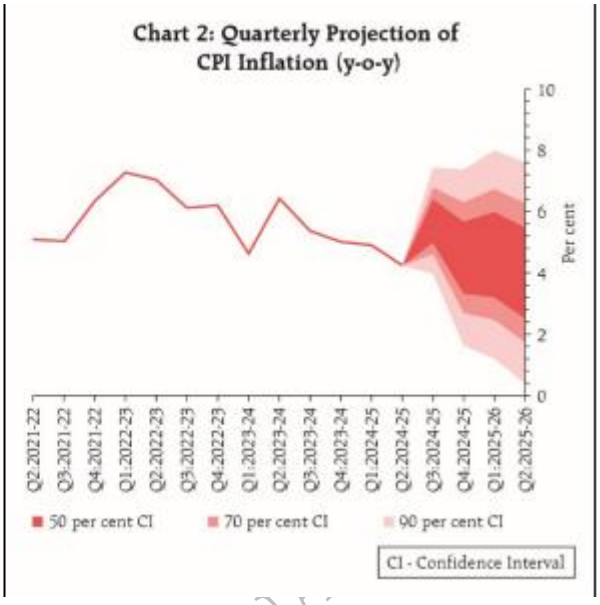



**Chart I.30: Highest share of private consumption in H1 across all years**




Source: Calculations based on Statement 13: Annual and Quarterly Estimates of GDP at constant prices and Statement 14: Annual and Quarterly Estimates of GDP at current prices, MoSPI




India's headline inflation, measured by the Consumer Price Index (CPI), has moderated in FY25 (April-December) compared to FY24. This decline is primarily due to a significant decrease in core inflation, which dropped by 0.9 percentage points between FY24 and FY25 (April-December). The sharp decline in core inflation was largely driven by core services inflation, which was lower than core goods inflation. A decrease in fuel price inflation has also contributed to the moderation in headline inflation, alleviating pressure on household budgets. In general, the decline in retail inflation can be attributed to a reduction in input prices, as reflected in wholesale price inflation, which was in the deflationary zone (-0.7 per cent) in FY24 and remained low in FY25 (April-December).

Various high-frequency indicators reflect the growth in the services sector. Both Goods and Services Tax (GST) collections and the issuance of e-way bills, reflecting wholesale and retail trade, demonstrated double-digit growth in FY24. Financial and professional services have been a major driver of growth post the pandemic. Contact-intensive services—prominently trade, transport, real estate and their ancillary services that were impacted the most during the pandemic have emerged much stronger in the post-pandemic period, embedding greater technology and digital content in them and transforming the nature of the service delivery in India. The proliferation of global capability centres (GCCs) has also imparted resilience to India's services exports, giving further thrust to the sector.

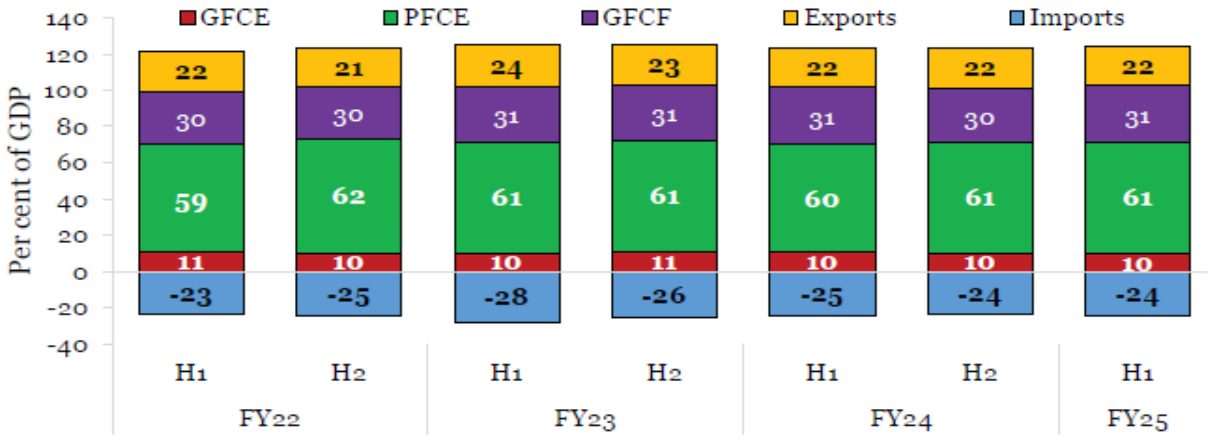
From a demand perspective, Private Final Consumption Expenditure (PFCE) firmed up in H1 FY25, growing by 6.7 per cent YoY. While National Accounts data is not disaggregated by geography, indicators such as 2-wheeler and 3-wheeler sales and tractor sales signal that rural demand contributed to private consumption growth. This is also reflected in the January 2025 round of National Bank for Agriculture and Rural Development (NABARD's) Rural Economic Conditions and Sentiments Survey, where 78.5 per cent of rural households reported an increase in their consumption

expenditure during the last year.The impulse from rural demand is expected to continue in the second half of the fiscal year with the returns from a bumper Kharif crop and higher MSPs for a prospectively good Rabi crop.

On the other hand, indicators of urban demand presented mixed trends. According to data from the Federation of Automobile Dealers Associations (FADA)19, the growth of passenger vehicle sales has slowed to 4.2 per YoY cent in April – November 2024 compared to 9.2 per cent in the corresponding period of the previous year. Fast-moving consumer goods (FMCG) sales in urban areas, as per Nielsen IQ, have recorded a moderate growth in H1FY25. However, there is steady growth of 7.7 per cent YoY in air passenger traffic in April – November 2024. The 7.3 per cent YoY growth indicated by the First Advance Estimates for PFCE at constant prices for FY25 indicates a pick-up in the most recent months.

The moderation in real GDP growth can be traced to a softening of growth in Gross Fixed Capital Formation (GFCF) from 10.1 per cent in H1 FY24 to 6.4 per cent in H1 FY25. Q1 FY25 witnessed a slowdown in capital expenditure across different levels of government on account of the conduct of the general elections. Private sector investment growth may have remained subdued thus far in FY25 on account of the domestic political timetable, global uncertainties and overcapacities.

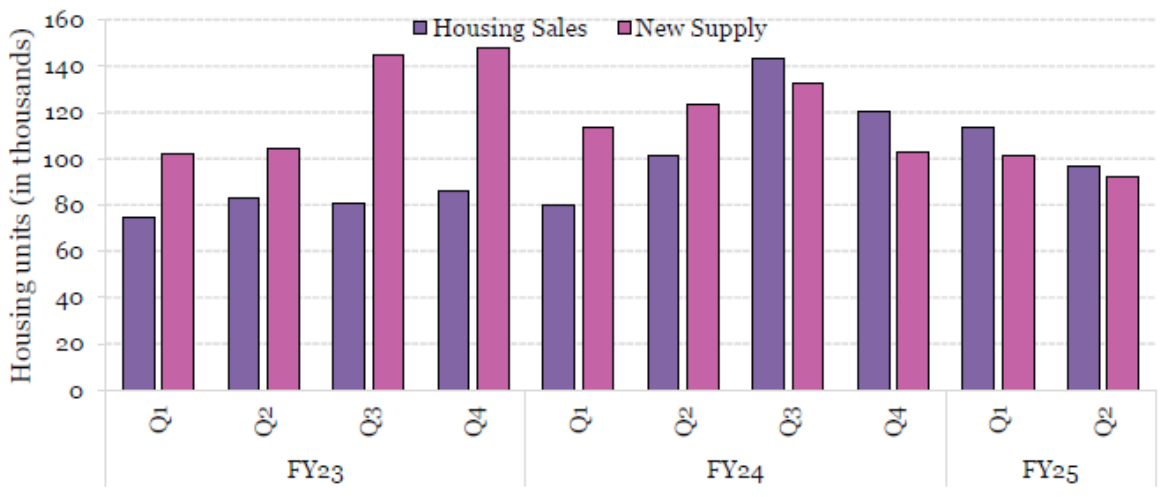
**Chart I.31: Steady shares of investment and consumption in GDP (at current prices)**




Source: Calculations based on Statement 14: Annual and Quarterly Estimates of GDP at current prices, MoSPI

An additional reason for the slowdown in capital formation growth in Q2 FY25 may have emanated from the moderation in residential investment by households in this quarter, which is on the back of a sharp uptick over the last few quarters. Industry reports, however, point out that the correction in demand-supply metrics in this sector is indicative of market normalisation after a period of robust performance. An inventory overhang of 23 months signals healthy demand momentum in the segment.

**Chart I.32: Moderating housing sales and launches on the back of a high base in the top 8 cities[20]**




Source: Various Real Insight Residential reports by Proptiger

The slowdown in investment activity is likely temporary. Green shoots in capital formation are visible. Union government capex is up 8.2 per cent in July – November 2024 and is expected to pick up further pace. Early results of the RBI's Order Books, Inventory, and Capacity Utilisation Survey (OBICUS) show that the seasonally adjusted capacity utilisation (CU) in manufacturing firms was 74.7 per cent in Q2 FY25, above the long-term average of 73.8 per cent. A private sector report's22 analysis of a sample of capital goods companies indicates that the order books of these companies have registered a sharp increase of 23.6 per cent in FY24 as against a compound annual growth rate (CAGR) of 4.5 per cent in the preceding four years. Moreover, in H1 FY25, there has been a growth of 10.3 per cent compared to the end of FY24. The RBI's report on private investments showed that investment intentions increased to ₹2.45 lakh crore for FY25 as compared to ₹1.6 lakh crore for FY24. Along with fresh investment, some of the existing intentions would spill over and be implemented in FY26.

On the external front, exports of goods and non-factor services at constant prices increased by 5.6 per cent in H1 FY25, while imports increased by 0.7 per cent. In Q2 FY25, imports of goods and services at constant prices contracted by 2.9 per cent, primarily driven by a decline in commodity prices. As a result, net exports contributed positively to real GDP growth in this period.

**Moderation in inflation pressure: -**

Inflation rates across economies have trended downward steadily, approaching central bank target levels. This has been the result of tighter monetary policy regimes across the globe and supply chains adapting to higher levels of economic uncertainty. As a consequence, price pressures eased in 2023 due to a reduction in fuel prices. In 2024, it was attributed to a broad-based reduction in goods inflation.

**Chart I.8: Inflation in advanced economies**

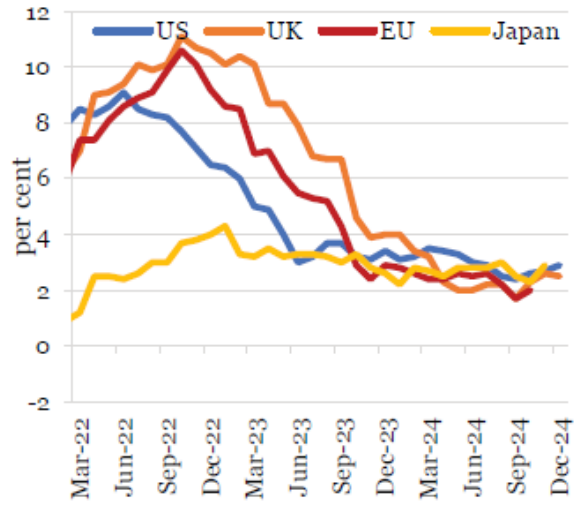
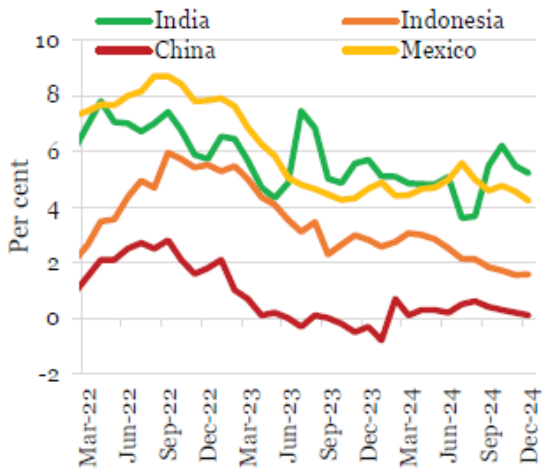



**Chart I.9: Inflation in emerging market economies**




Source: OECD and MoSPI

However, disinflation seems to have slowed due to the persistence of services inflation, while core goods inflation has fallen to negligible levels. The IMF World Economic Outlook (WEO) October 2024 reasons that this is on account of higher nominal wage growth as compared to pre-pandemic trends. The report notes that there are early signs that these pressures are abating, thereby aiding the disinflation process.

**Inflation – a combination of low and stable core inflation with volatile food prices**

Retail headline inflation, as measured by the change in the Consumer Price Index (CPI), has softened from 5.4 per cent in FY24 to 4.9 per cent in April – December 2024. The decline is attributed to a 0.9 percentage point reduction in core (non-food, nonfuel) inflation between FY24 and April – December 2024. While the average inflation in FY25 has trended downward, monthly volatility in food prices and a select few commodities have been responsible for CPI inflation printing towards the upper side of the tolerance band of 4 (+/-) 2 per cent.

Pressures in food prices have been driven by factors such as supply chain disruptions and vagaries in weather conditions. Food inflation, measured by the Consumer Food Price Index (CFPI), has increased from 7.5 per cent in FY24 to 8.4 per cent in FY25 (April-December), primarily driven by a few food items such as vegetables and pulses.

Plots headline retail inflation excluding the following commodities – tomato, onion and potato, (TOP). These commodities together constitute 2.2 per cent of the CPI basket.

**Chart I.46: Food price pressures driving retail inflation**

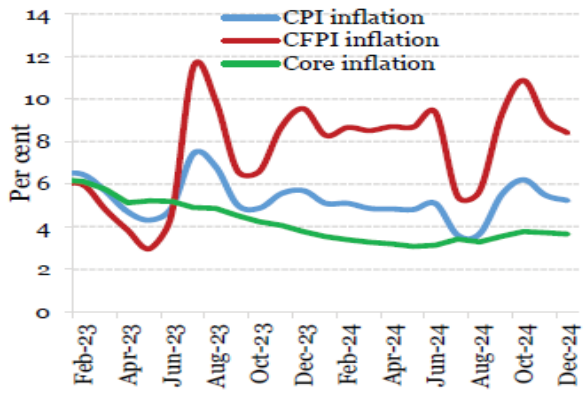
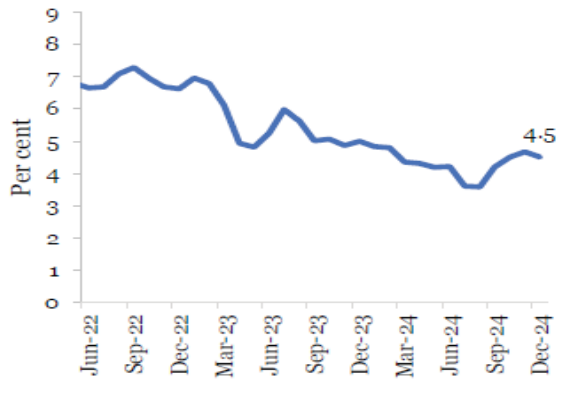



**Chart I.47: CPI inflation excluding TOP commodities significantly lower[32]**

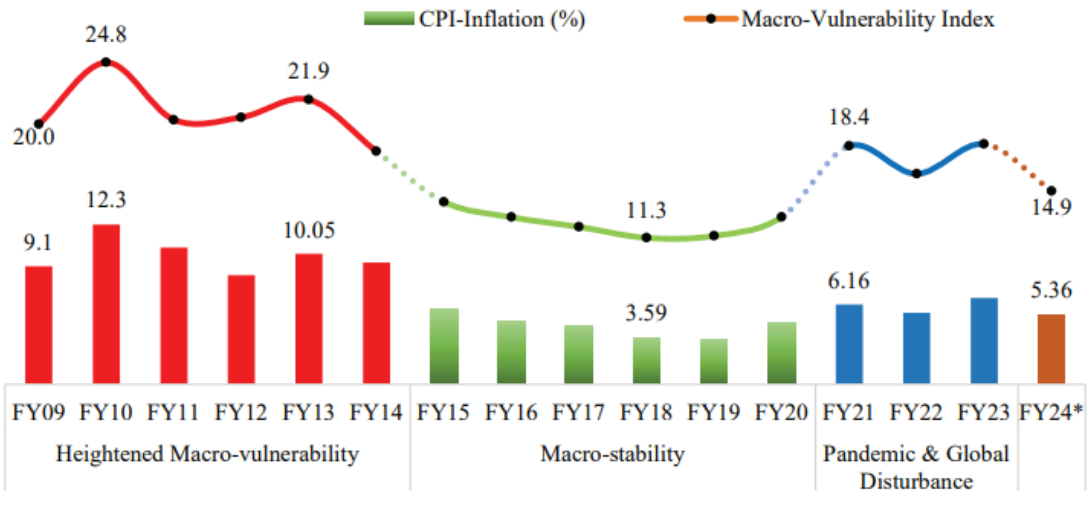



Source: Consumer Price Indices released by Central Statistical Office (CSO), MoSPI

**Reduction in macro vulnerability**

In its pursuit of fiscal consolidation through efficient and prudent fiscal management, the Government continues to stick to the fiscal glide path. The fiscal deficit of the Government is expected to drop to 4.5 per cent of GDP or lower by FY26. This commitment has helped keep the sovereign debt sustainable, thereby keeping sovereign bond yields and spreads in check. All these factors have combined to keep the macroeconomic environment stable and provide a platform for sustainable growth. This is reflected in the downward trajectory of the macroeconomic vulnerability index – an index constructed by combining India's fiscal deficit, CAD and inflation.

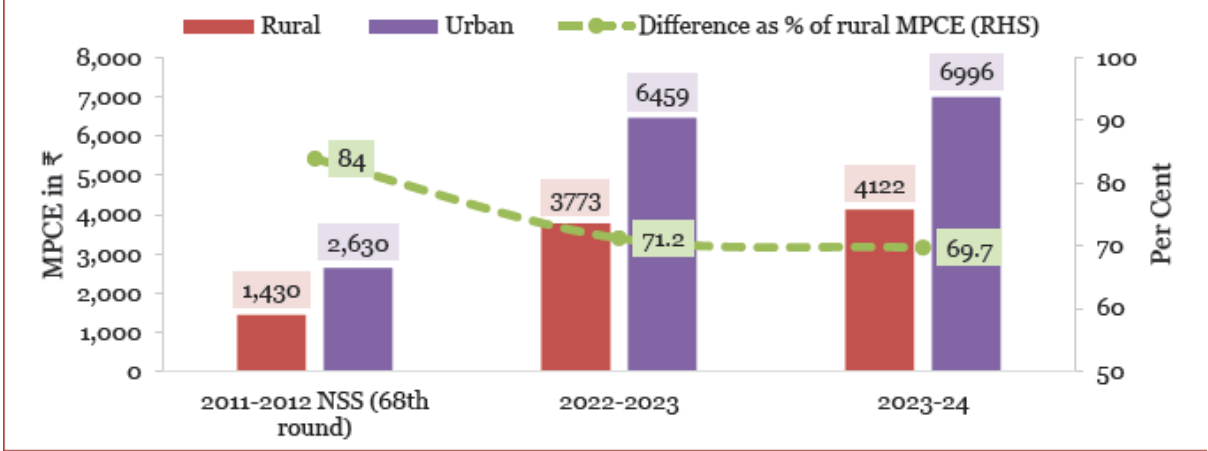
**A reduction in macro-vulnerability despite increased external uncertainty:-**



## Household Consumption Expenditure Survey 2023-24

The results of the Household Consumption Expenditure Survey (HCES) 2023-24 highlights the narrowing urban-rural gap in consumption expenditure. The average monthly per capita expenditure (MPCE) in rural and urban India in 2023-24 is estimated at ₹4,122 and ₹6,996, respectively.5 Considering the imputed values of items received free of cost through various social welfare programmes, these estimates rise to ₹4,247 and ₹7,078, respectively, for rural and urban areas. The urban-rural gap in MPCE has declined to 71 per cent in 2022-23 from 84 per cent in 2011-12. It has further come down to 70 per cent in 2023-24, which confirms the sustained momentum of consumption growth in rural areas.

**Chart XI.3. Declining urban-rural gap in consumption**




Source: HCES 2023-24, MoSPI

Social sector initiatives have reduced inequality and increased consumption spending, as reflected in the survey. The Gini coefficient improved for rural areas (declined to 0.237 in 2023-24 from 0.266 in 2022-23) and urban areas (declined to 0.284 in 2023-24 from 0.314 in 2022-23). The bottom 5 per cent of the rural population, ranked by MPCE, has an average MPCE of ₹1,677, compared to ₹2,376 in urban areas. The top 5 per cent have average MPCEs of ₹10,137 in rural and ₹20,310 in urban areas.

The largest growth in average MPCE between 2022-23 and 2023-24 occurred among the bottom 5–10 per cent of the population in both rural and urban areas. The bottom 5 per cent of the rural population saw a 22 per cent increase, while the corresponding urban segment experienced 19 per cent growth in the MPCE.

The Economic Survey 2023-24 highlighted how the welfare policies of the government and the social sector initiatives have resulted in the reduction of inequality marked by rising consumption expenditure, as evident from the results of the HCES 2022-23. Fiscal policies of the government are playing a key role in reshaping income distribution, inter-alia, through the provision of subsidies, pensions, and other direct transfers, as well as public spending on social services such as education and health.

Various government welfare schemes such as free foodgrain or subsidised availability of foodgrains, subsidised cooking fuel, insurance cover, etc, are lifting household incomes. These fiscal transfers help to provide additional resources to the financially deprived sections and, thus, favourably impact people's standard of living. As an example, building upon the learnings of the HCES, a study by the World Bank8 presents evidence of the re-distribution impact of the Public Distribution System (PDS).

## OUTLOOK AND WAY FORWARD: -

A steady growth trajectory shapes the global economic outlook for 2024, though regional patterns vary. The near-term global growth is expected to be a shade lower than the trend level. The services sector continues to drive global expansion, with notable resilience in India. Meanwhile, manufacturing is struggling in Europe, where structural weaknesses persist. Trade outlook also remains clouded in the next year.

Inflationary pressures have been easing globally, though risks of synchronised price pressures linger due to potential geopolitical disruptions, such as tensions in the Middle East and the ongoing Russia-Ukraine conflict. Central banks have adopted more accommodative monetary policies. However, the pace of rate cuts varies across regions depending on the growth imperatives and the pace of disinflation, creating potential divergences in economic recovery.

On the domestic front, rebounding rural demand augurs well for consumption. Investment activity is expected to pick up, supported by higher public capex and improving business expectations. Capacity utilisation in manufacturing remains above the long-term average, and private sector order books have shown steady growth, alongside a rise in investment intentions. However, these gains could be tempered by the global excess capacities in sectors such as steel, leading to aggressive trade policies in search of demand.

Going forward, food inflation is likely to soften in Q4 FY25 with the seasonal easing of vegetable prices and Kharif harvest arrivals. Good Rabi production is likely to contain food prices in the first half of FY26. Adverse weather events and rise in international agricultural commodity prices, however, pose risks to food inflation. Global energy and commodity prices have softened in the recent past, making the core inflation outlook benign. However, risks remain on account of significant global political and economic uncertainties.

In brief, there are many upsides to domestic investment, output growth and disinflation in FY26. There are equally strong, prominently extraneous, downsides too. Nonetheless, the fundamentals of the domestic economy remain robust, with a strong external account, calibrated fiscal consolidation and stable private consumption. On balance of these considerations, we expect that the growth in FY26 would be between 6.3 and 6.8 per cent.

Navigating global headwinds will require strategic and prudent policy management and reinforcing the domestic fundamentals. The Budget 2024-25 laid out a multisectoral policy agenda for sustained growth push. In this context, Chapter 5 elaborates on the need for deregulation and reforms at the grassroots level to improve the overall competitiveness of the economy and to lift trend growth rates, supporting higher levels of economic activity.

*Sources*

***https://www.indiabudget.gov.in/economicsurvey/***
***https://www.mospi.gov.in/***
***https://www.rbi.org.in/***

# 3. A board overview of Rubber Industry

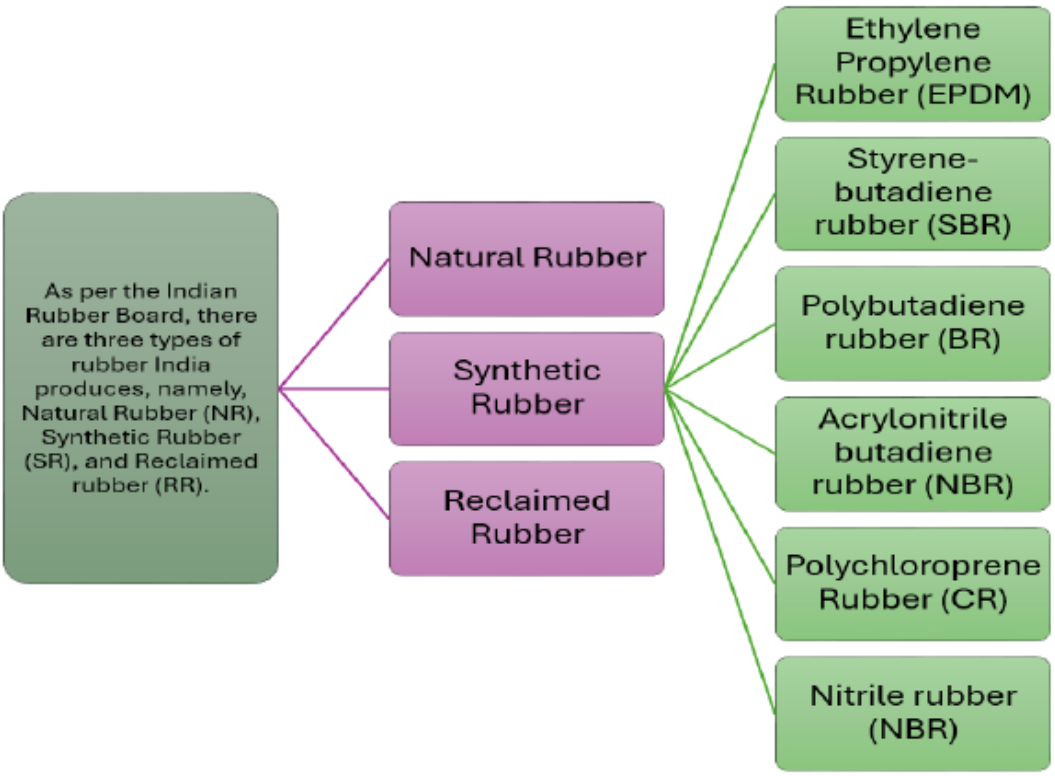
**Introduction:-**

India ranks as the third-largest producer, second-largest consumer of natural rubber (NR), and fourth-largest consumer of gross elastomer in the world. The Indian rubber industry covers approximately 6,000 units, including 30 large-scale, 300 medium-scale, and around 5,600 small-scale/tiny sector enterprises. Together, they manufacture 35,000 rubber products and employ 400,000 individuals, including about 22,000 technically skilled personnel. The rubber industry, with an annual turnover of ₹ 200 billion and a contribution of ₹ 40 billion to the National Exchequer through taxes and levies, plays a vital role in India's national economy.

The wide range of rubber products manufactured by the Indian rubber industry comprises all types of heavy duty earth moving tyres. Auto tyres, tubes, automobile parts, footwear, belting, hoses, cycle tyres and tubes, cables and wires, camelback, battery boxes, latex products, pharmaceutical goods, besides molded and extruded goods for mass consumption. The products manufactured also cover hi-tech industrial items. The important areas which the industry caters to include all the three wings of defense, civil, aviation, aeronautics, railways, agriculture, transport as also textile engineering industries, pharmaceuticals, mines, steel plants, ports, family planning programmes, hospitals, sports, practically to every conceivable field.

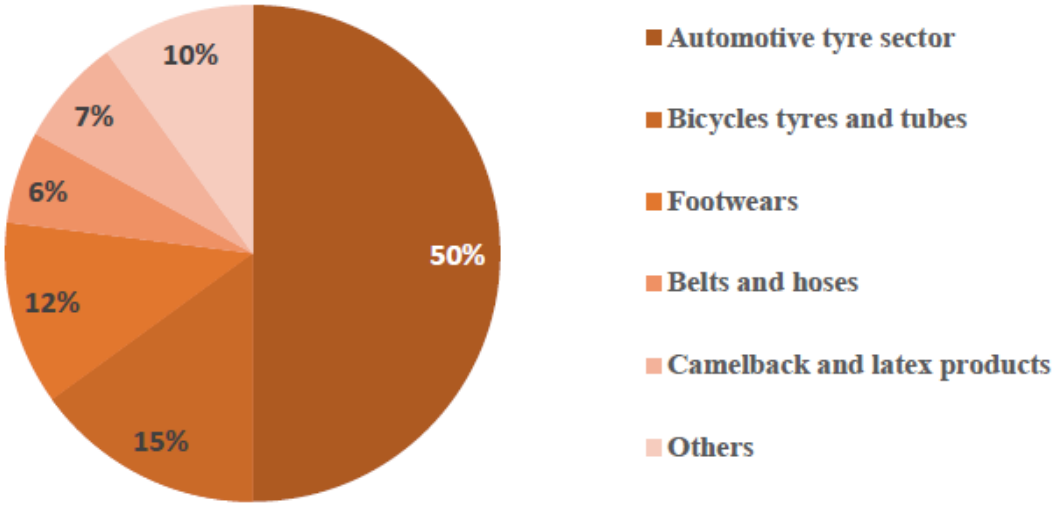
The plantation sector significantly contributes to the industry's growth, with an estimated production of over 631,000 tons of natural rubber and a projected production exceeding one million tons soon, drives the Indian rubber industry's growth. Rubber is produced in several major states in India, including Kerala, Karnataka, Tamil Nadu, and Assam. Kerala plays a pivotal role in this sector, with a total area of 3.84 lakh hectares under rubber cultivation and an annual production of 3.70 lakh tonnes, accounting for over 90% of India's natural rubber production. Of the total area, 92% is represented by small holdings with an average area of around 0.5 hectares. There are about one million growers and 350,000 workers engaged in the rubber sector, with more than 90% based in Kerala. A robust network of intermediate rubber units engaged in rubber compounding, crumb rubber manufacture, etc., exists in the state.

The state also hosts a strong network of intermediate rubber units for compounding and crumb rubber production.



The rubber industry in India is broadly divided into two sectors: tyre and non-tyre. The tyre sector produces all types of auto tyres, both conventional and radial, and exports to advanced countries like the USA, Türkiye, Mexico, Germany, Brazil, Bangladesh, etc. The non-tyre sector, comprising medium, small, and tiny units, produces high-technology and sophisticated industrial products. The small-scale sector accounts for over 50% of production in the non-tyre category. In terms of rubber consumption, the automotive tyre sector is the largest, accounting for about 50% of all rubber consumption, followed by bicycle tyres and tubes (15%), footwear (12%), belts and hoses (6%), camelback and latex products (7%), with all other rubber products collectively accounting for 10%.

**Figure 1: Composition (%) of Rubber Consumption**




Source:
https://www.allindiarubber.net/uploads/pdf/annual-report-2023-24.

https://www.dsir.gov.in/rubber#:~:text=Kerala%2C%20with%20a%20total%20area,of%20around%200%2C5%20hectares.

# 4. Types of Rubber

- **Natural Rubber (NR)**

Natural rubber is derived from the latex of rubber trees (*Hevea brasiliensis*). It has excellent elasticity, resilience, and abrasion resistance.

**Types of Natural Rubber:**

- **Ribbed Smoked Sheets (RSS):** Processed by coagulating latex and drying in smokehouses.
- **Technically Specified Rubber (TSR):** Includes block rubber grades such as STR (Thailand), SIR (Indonesia), and SMR (Malaysia).
- **Centrifuged Latex:** Liquid form used for making gloves, adhesives, and coatings.
- **Pale Crepe Rubber:** Light-colored, highly pure rubber used in medical and pharmaceutical applications.

- **Synthetic Rubber (SR)**

Synthetic rubber is man-made through chemical processes using petroleum-based monomers. It is designed to offer specific properties, such as heat resistance, oil resistance, and improved durability.

**Common Types of Synthetic Rubber:**

- **Styrene-Butadiene Rubber (SBR):** Used in car tires, conveyor belts, and footwear.
- **Polybutadiene Rubber (BR):** High elasticity and wear resistance, used in tires and golf balls.
- **Nitrile Butadiene Rubber (NBR):** Resistant to oils and fuels, used in hoses, seals, and gloves.
- **Ethylene Propylene Diene Monomer (EPDM):** Weather-resistant, used in roofing, automotive seals, and hoses.

- **Chloroprene Rubber (CR) (Neoprene):** Flame-resistant and weatherproof, used in wetsuits and gaskets.
- **Silicone Rubber (SiR):** Heat-resistant and flexible, used in medical devices and cookware.
- **Fluoroelastomers (FKM) (Viton):** Chemical and heat-resistant, used in aerospace and automotive seals.
- **Polyisoprene Rubber (IR):** Synthetic alternative to natural rubber, used in medical applications.

Each type of rubber has unique properties and applications, making them suitable for various industries such as automotive, aerospace, healthcare, construction, and consumer goods.

➢ **Reclaimed Rubber**

Reclaimed rubber is recycled rubber obtained by processing waste rubber products such as used tires, tubes, and other rubber scraps. It is produced by breaking down vulcanized rubber through thermal, mechanical, and chemical treatments, making it soft and reusable in various applications.

**Types of Reclaimed Rubber:**

1. **Whole Tire Reclaimed Rubber (WTR):** Made from scrap tires; commonly used in tire manufacturing.
2. **Butyl Reclaimed Rubber:** Derived from used butyl tubes, known for its air impermeability; used in inner tubes and adhesives.
3. **EPDM Reclaimed Rubber:** Extracted from EPDM rubber scraps; used in automotive seals, roofing, and hoses.
4. **Natural Reclaimed Rubber:** Made from natural rubber products like latex gloves and tubes; used in footwear and conveyor belts.
5. **Nitrile Reclaimed Rubber:** Comes from nitrile rubber waste; used in oil-resistant applications like seals and gaskets.

## ***Recycling Of Rubber***

Rubber recycling refers to the process of converting scrap rubber materials—primarily used tires—into usable products or raw materials. This is essential due to the huge volumes of waste rubber generated globally and the environmental damage caused by improper disposal methods such as burning or dumping. Recycling rubber not only reduces landfill waste but also conserves natural resources and minimizes pollution associated with rubber production. In India, rubber recycling has gained momentum due to the increasing number of vehicles, which in turn results in a massive volume of end-of-life tires each year.

**Types of Rubber Recycling:**

1. **Mechanical Recycling:**
    - Rubber is shredded into small pieces or ground into powder.
    - Commonly used for recycled rubber mats, playground surfaces, and asphalt (rubberized asphalt).
2. **Devulcanization:**
    - Involves breaking the sulfur bonds formed during vulcanization (a process that hardens rubber).
    - Makes rubber soft and reusable, allowing it to be remolded or mixed with new rubber.
3. **Pyrolysis:**
    - Rubber is heated in the absence of oxygen, breaking it down into oil, gas, and carbon black.
    - Useful for recovering energy and raw materials.
4. **Energy Recovery:**
    - Rubber waste is burned in incinerators to generate energy.
    - Less sustainable, but better than landfilling.

**Application of Recycled Rubber**

**1. Road Construction (Crumb Rubber Modified Bitumen – CRMB)**

One of the largest and most impactful uses of recycled rubber in India is in road construction. Crumb rubber, obtained by grinding old tires, is mixed with bitumen to produce Crumb Rubber Modified Bitumen (CRMB). This enhances the elasticity and strength of the roads, making them more resistant to cracking, potholes, and weathering. According to the Indian Roads Congress (IRC), using CRMB improves the durability and performance of highways, especially in regions with high traffic and extreme climates. Despite its benefits, adoption remains inconsistent, largely due to resistance from contractors and lack of enforcement.

**2. Playgrounds and Sports Surfaces**

Recycled rubber is extensively used in creating safe and durable surfaces for playgrounds, gyms, and sports tracks. The rubber is molded into tiles or poured-in-place surfaces that provide excellent cushioning, reducing the risk of injuries from falls. This is particularly important for children's play areas and athletic facilities, where safety and shock absorption are critical. The demand for such materials is growing in urban centers and schools, fueled by government and private initiatives to improve sports infrastructure.

**3. Rubber Mats and Flooring**

Rubber mats made from recycled rubber are used in factories, gyms, stables, homes, and vehicles. These mats are valued for their anti-slip, shock-absorbing, and noise-reducing properties. In industrial settings, they also serve as insulators and help reduce worker fatigue by providing a softer standing surface. Recycled rubber flooring is also used in public transport buses, hospitals, and railway stations where durability and easy maintenance are essential.

**4. Footwear Industry**

The footwear industry in India, especially in the informal and eco-friendly segments, uses recycled rubber to manufacture soles for sandals, shoes, and slippers. Recycled rubber soles are durable, cost-effective, and water-resistant. Some brands promote recycled rubber shoes as part of sustainable fashion, targeting eco-conscious consumers. These products also reduce dependency on virgin rubber and synthetic alternatives derived from petroleum.

**5. Garden and Landscaping Mulch**

Crumb rubber is used as rubber mulch in landscaping and gardening. Unlike traditional wood mulch, rubber mulch does not decompose easily, retains moisture, and helps control weed growth. It is often used in parks, public gardens, and urban green projects. Additionally, rubber mulch is available in various colors and sizes, making it aesthetically appealing for decorative uses.

**6. Construction and Insulation Materials**

Recycled rubber is being used in the production of soundproofing and thermal insulation materials. Rubber sheets and pads are applied in walls, ceilings, and floors to dampen noise and vibrations, particularly in residential buildings, studios, and factories. It also acts as a thermal insulator, making buildings more energy-efficient. This application is gaining popularity as India sees a rise in green building and LEED-certified projects.

**7. Automotive Parts and Accessories**

Several automotive components like mud flaps, floor liners, pedals, gaskets, bumpers, and door seals are now being made from recycled rubber. This not only helps reduce manufacturing costs but also supports sustainability goals within the automotive industry. Recycled rubber can withstand heat, friction, and pressure, making it ideal for such components.

**8. Railway Applications**

Indian Railways has been experimenting with rubber pads and blocks made from recycled tires in rail track systems. These components help reduce vibration and wear on tracks and enhance safety. There are also uses in anti-vibration pads and insulating materials used in coaches and undercarriages.

**9. Tyre-Derived Fuel (TDF)**

In industries like cement kilns and power plants, shredded rubber is used as a substitute for coal and other fossil fuels. Known as Tyre-Derived Fuel (TDF), this method extracts energy from waste rubber while reducing reliance on non-renewable sources. However, this method must be carefully regulated to control emissions and avoid pollution.

### 10. Rail Crossing Pads and Road Bumpers

Rubber from tires is used in speed breakers, road bumpers, and railway crossing pads due to its durability and flexibility. These rubber components offer better impact absorption and require less maintenance compared to traditional materials like concrete or plastic.

### Why recycled rubber makes sense?

- ECONOMICS
- SUSTAINABILITY
- RESOURCE SAVING
- REDUCING CO2 EMISSION

Micronized & Reclaimed (devulcanized) rubber cost is much lower than virgin rubber and improves economics of the compound & end product without sacrificing product performance at judicious levels of usage. It has been discussed in the earlier section how micronized & reclaimed rubber are the foremost environmentally and economically sustainable solution for recycling of huge stockpiles of waste tires. Given below are representative production energy consumption figures for various types of rubbers with Reclaimed rubber (RR) production using the least energy Also reclaimed rubber production has the lowest carbon footprint with least emission of $CO_2$.

Energy Consumption (Giga Joules per metric ton)

Butyl Rubber (190) > SBR (145) > BR (110) > Natural Rubber (15) > RR (2.1)

**Micronized rubber uses even less energy than Reclaimed (Devulcanized) Rubber**

Pollution due to $CO_2$ equivalent (in kg) per metric ton of rubber produced

| | |
|---|---|
| Natural Rubber | 4351 |
| SBR | 3409 |
| Reclaimed Rubber | 97 |

**Government Regulations and Support**

The Indian government has initiated measures to support rubber recycling:

- Extended Producer Responsibility (EPR): Policies are being developed to hold manufacturers accountable for the entire lifecycle of their products, including disposal.
- Standard Operating Procedures (SOPs): The Central Pollution Control Board (CPCB) has issued SOPs for the recycling of waste tires to ensure environmentally sound practices.
- Use of Modified Bitumen: The IRC has provided guidelines encouraging the use of crumb rubber modified bitumen in road construction to improve pavement performance and promote recycling.

**Future Outlook and Business Opportunities**

The future of rubber recycling in India appears promising, driven by:

- Growing Automotive Sector: An increase in vehicle ownership will lead to more tire waste, necessitating efficient recycling solutions.
- Infrastructure Development: Government initiatives focusing on infrastructure offer opportunities for the use of recycled rubber in construction.
- Environmental Awareness: Rising consciousness about sustainability is likely to boost demand for recycled rubber products.
- Technological Advancements: Innovations in recycling technologies can enhance efficiency and product quality, opening new avenues for business

# 5. Global Market Scenario: -

**Market Size**

As of 2024, the global rubber market has shown steady growth, with various sources reporting different valuations. According to Precedence Research, the market size stood at approximately USD 48.27 billion in 2024 and is projected to reach around USD 79.38 billion by 2034, exhibiting a CAGR of 5.1%. Meanwhile, IMARC Group estimated the market at USD 47.5 billion in 2024, forecasting it to reach USD 69.7 billion by 2033, with a CAGR of 4.4%. Business Research Insights provided a higher valuation, stating the market was worth USD 59.09 billion in 2024 and is expected to reach USD 118.11 billion by 2033, reflecting a CAGR of 8%. These variations arise from differences in methodologies, market definitions, and data sources, but all reports indicate a positive growth trajectory. The key drivers include rising demand from the automotive sector, where rubber is extensively used in tire manufacturing, as well as increasing industrial applications such as hoses, belts, and gaskets. Additionally, advancements in synthetic rubber technology have expanded its use across various industries. The Asia-Pacific region remains the dominant player in the market due to significant tire production and widespread manufacturing activities. However, adverse weather conditions in key rubber-producing countries like Thailand and China have impacted natural rubber output, leading to price surges. Despite these challenges, the market is expected to grow consistently, fueled by robust demand and ongoing innovations in rubber manufacturing.

Further, the global rubber industry in 2024 was characterized by significant supply challenges due to adverse weather conditions in key producing countries, leading to increased prices and market volatility. Adverse weather conditions, including excessive monsoon rains in Thailand and typhoon damage in China, led to a forecasted 4.5 per cent decrease in global NR production, bringing it down to approximately 14 million metric tons. This reduction contributed to a 50 per cent surge in rubber prices, reaching a 13-year high. This 50 per cent surge in rubber prices enabled Indian exporters to command better prices for their rubber products, boosting export earnings.

The Association of Natural Rubber Producing Countries (ANRPC) forecasted that in 2024, the global NR supply is expected to be 0.88 million tons short of consumption demand. Global rubber output was estimated to reach nearly 14.4 million tons, up 3.2 per cent compared to 2023, while consumption demand reached 15.24 million tons, up 0.4 per cent.

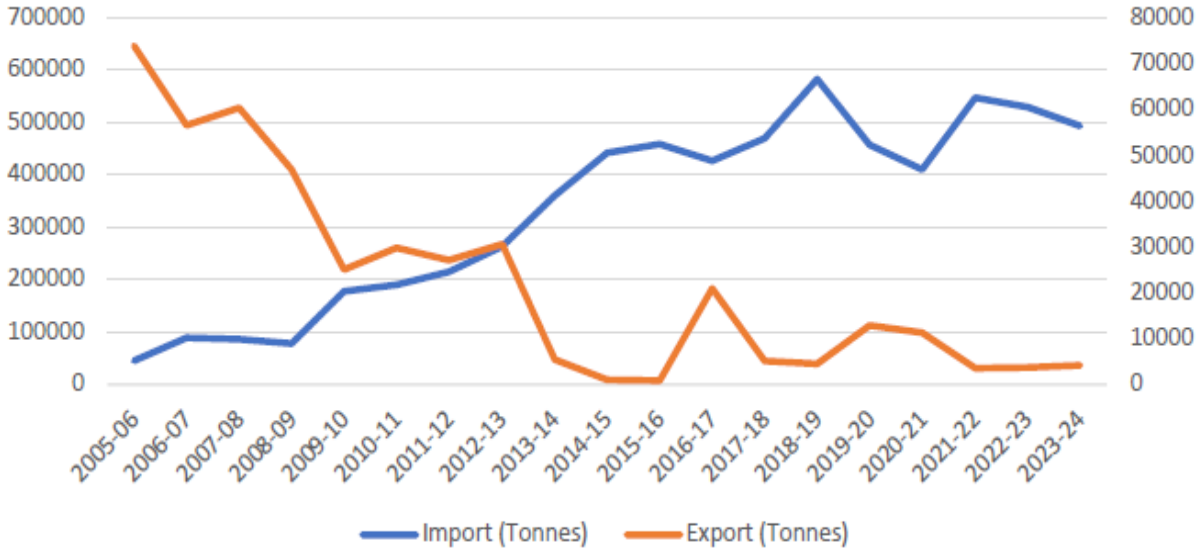
Shri. R. Mukhopadhyay, Chairman of the Indian Rubber Institute stressed at Rubbercon 2024 in Kochi, *"despite global challenges, India is positioning itself to become a leading supplier of rubber products by 2030, with per capita consumption expected to rise from the current 1.3 kg to 2.5 kg. The country's total rubber* consumption *is projected to double from 1.8 million tonnes to 3.6 million tonnes by 2030."*

The predominant method of rubber production worldwide involves smallholder farming, typically in monoculture systems, modified forests (agroforests), or intentionally planned mixed-crop systems. The NR production sustains about 40 million people globally, while around 90 per cent of its production comes from the work of smallholders.



**Trade**

**Figure 2: Trade pattern for NR in India**



According to the data published by the Rubber Board of India, the country imported 74,341 tonnes of NR during September 2024 making the total volume of NR import during April to September 2024 at 318,042 tonnes as against 254,487 tonnes imported during the last year. India exported 206 tonnes of NR during September 2024 and the total volume of NR exported during April to September 2024 was 1701 tonnes compared to 1691 tonnes exported during the same period in the previous year. A total stock of 339,000 tonnes of NR was estimated to have held with growers, traders, processors, and consumers in the country at the end of September 2024. Recently, the gap between rubber imports and exports got reduced due to higher export revenues and lower import volumes (see figure above). Europe and the US emerged as significant markets for Indian rubber goods due to trade diversification efforts and competitive pricing. India's FTA agreements with countries like the UAE and the Australia further boosted export opportunities.

*Source: https://www.infomerics.com/admin/uploads/rubber-industry2025.pdf*

# 6. Rubber: Domestic Market

India has a strong and well-developed rubber industry, with a solid foundation in NR production and a rapidly growing manufacturing and consumption segment for rubber products. Rubber has consistently grown over the years due to its diverse applications in both tyre and non-tyre sectors and is recognized as one of the world's essential natural resources. This growth is further driven by rising demand from industries, such as automotive, construction, healthcare, and consumer goods, where rubber's durability and adaptability play a key role.

**Natural Rubber**

India's NR production has grown 8.6 per cent from 7.89 lakh ton in FY21-22 to 8.57 lakh ton in FY23-24 with the industry estimating it will hit 8.82 lakh ton in FY24-25.

**Table 1: Type-wise Production of Natural Rubber (tonnes)**

| Types | Sept-24 | Sept-23 | April - Sept 2024 | April - Sept 2023 | April 2023 to March 2024 |
|---|---|---|---|---|---|
| Ribbed Smoked Sheet (RSS) | 52640 | 47540 | 220300 | 217670 | 542175 |
| Solid Block Rubber | 14250 | 16400 | 82925 | 82820 | 190920 |
| Latex Concentrates (drc) | 9100 | 9070 | 48700 | 45620 | 101895 |
| Others | 2010 | 1990 | 9075 | 9890 | 22010 |
| **Total** | **78000** | **75000** | **361000** | **356000** | **857000** |

India produced 78,000 tonnes of NR during September 2024 compared to 75,000 tonnes produced during the same month a year ago. The total quantity of NR produced during April to September 2024 was 361,000 tonnes, an increase of 1.4 per cent from the quantity 356,000 tonnes produced during the same period in the previous year. The production preliminarily estimated for October 2024 is 87,000 tonnes.

**Table 2: Consumption of NR (tonnes)**

| Types | Sept-24 | Sept-23 | April -Sept 2024 | April - Sept 2023 | April 2023 to March 2024 |
|---|---|---|---|---|---|
| Ribbed Smoked Sheet (RSS) | 47250 | 47510 | 291400 | 281075 | 589345 |
| Solid Block Rubber | 56100 | 61300 | 350350 | 367550 | 684010 |
| Latex Concentrates (drc) | 7800 | 8975 | 47500 | 52385 | 108405 |
| Others | 2850 | 3215 | 15750 | 16990 | 34240 |
| **Total** | **114000** | **121000** | **705000** | **718000** | **1416000** |

The rubber goods manufacturing industry consumed 114,000 tonnes of NR during September 2024 compared to 112,000 tonnes of NR consumed during August 2024. The total quantity of NR consumed during the period April to September 2024 decreased by 1.8 per cent to 705,000 tonnes compared to 718,000 tonnes consumed during the same period last year. This represents a 1.3 per cent increase in the auto tyre sector and an 8.3 per cent decrease in the general rubber goods sector. According to the preliminary estimate, the country consumed 112,000 tonnes of NR during October 2024. Currently, India's annual NR consumption is approximately 14.16 lakh tonnes and is projected to increase by 5 per cent, reaching around 14.86 lakh tonnes by the end of FY 2024–25. As forecasted by the IRSG, the world rubber consumption is expected to reach 35.55 million tons by 2031, and NR and synthetic rubber demand are expected to be 17.37 and 18.17 million tons, respectively.

**Snapshot**

• India imported 318,042 tonnes and exported 1,701 tonnes of NR during April-September 2024, with a total stock of 339,000 tonnes by September-end. India's rubber trade gap narrowed due to higher export revenues, lower imports, trade diversification, and FTAs with the UAE and Australia.

• India's NR production has grown 8.6 per cent from 7.89 lakh ton in FY21-22 to 8.57 lakh ton in FY23-24 with the industry estimating it will hit 8.82 lakh ton in FY24-25. India's NR production reached 361,000 tonnes during April-September 2024, a 1.4% increase YoY, with October 2024 estimates at 87,000 tonnes.

• India consumed 705,000 tonnes of NR during April-September 2024, down 1.8% YoY, with a 1.3% rise in the auto tyre sector and an 8.3% drop in general rubber goods; annual NR consumption is projected to grow 5% to 14.86 lakh tonnes by FY 2024–25.

• Despite soaring NR demand in 2024, productivity struggles due to climate change, with extended monsoons reducing tapping days and latex output; yield dropped from 1879 kg/ha in 2006-07 to 1485 kg/ha in 2023-24, increasing reliance on imports.

• India's SR production rose 3.2% YoY to 274,338 tonnes in April-September 2024, while consumption increased 10.5% to 428,600 tonnes; SR prices remain sensitive to crude oil trends and currency fluctuations.

• Kerala's RSS market now faces competition from low-cost northeast India RSS instead of imports, driving prices down, as major tyre manufacturers shift sourcing for cost advantages. NR prices peaked at ₹247/kg on August 9, 2024, before dropping 19% to ₹200/kg, with imported NR at ₹200/kg and domestic NR at ₹210–220/kg; import duty impact is ₹50/kg.

• Tyre manufacturers expect cost relief in H2 FY25, as the domestic-international NR price gap widened to ₹50/kg, making price negotiations with global clients challenging.

• The Rubber Board of India stresses expanding rubber cultivation to meet the 15-lakh tonnes NR demand by 2025-26, as imports strain forex; despite an area increase to 8.5 lakh hectares in FY23, yield growth remains stagnant.

• Tyre industry revenue is set to grow 7-8% in FY25, driven by a 3-4% rise in realizations and volume, despite margin pressures from a 40% rise in NR prices; tyre production is expected to grow 3.4%, with strong OEM and replacement demand.

• The Union Budget 2025-26 increased Plantation Commodity Boards' allocation to ₹1,565 crore, but the Rubber Board's budget saw only a modest 3.4% rise to ₹360.31 crore, indicating a focus on sustaining existing initiatives rather than expansion.

**Price Outlook**

In India, around 70 per cent of the total production of NR is processed and traded in the form of RSS. “RSS4 at Kottayam” is India’s benchmark reference price for NR. Over the past decade, Indian auto tyre companies have largely shifted from Ribbed Smoked Sheets (RSS) - based to Technically Specified Rubber (TSR) - based manufacturing. But SR and NR are not easily substitutable. There is usually a pre-defined ratio between the usage of NR and SR in tyre production depending on the usage and end-use application.

Previously, they compared domestic and imported RSS costs for sourcing NR, but this practice has changed. Now, domestic RSS is considered only if it is more economical than imported TSR, as TSR prices are significantly lower than RSS. This shift has rendered the Kottayam RSS market almost insensitive to the Bangkok RSS market. As far as the RSS is concerned, major auto tyre manufacturers are now sourcing RSS from northeast India to their Kerala factories due to significant cost advantages. As a result, the Kerala RSS market faces competition not from imports but from low-cost domestic RSS from the northeast. This influx is driving down RSS prices in Kerala, a trend expected to persist.9 Rubber farmers in the State of Kerala will be ultimately left with no option but selling the produce at prices matching with those prevailing at Agartala.

**Table 3: PRICE OF NATURAL RUBBER (₹ per 100 Kg)**

| Month/year | | RSS 5 | RSS 4 | RSS 3 | Latex (60% drc) | | ISNR 20 | SMR 20 |
|---|---|---|---|---|---|---|---|---|
| | | Domestic | | International | Domestic | International | Domestic | International |
| October | 2023 | 14667 | 14992 | 13893 | 19170 | 15800 | 13430 | 12089 |
| November | " | 15125 | 15352 | 14193 | 18600 | 16530 | 13698 | 12363 |
| December | " | 14900 | 15198 | 14431 | 17973 | 16277 | 13348 | 12186 |
| January | 2024 | 15538 | 15913 | 16247 | 19185 | 17610 | 13868 | 12817 |
| February | " | 16126 | 16518 | 18285 | 20173 | 20137 | 14448 | 12997 |
| March | " | 17288 | 17734 | 21239 | 21285 | 22057 | 15353 | 13713 |
| April | " | 17929 | 18229 | 19826 | 21645 | 21722 | 15878 | 13594 |
| May | " | 18011 | 18311 | 19370 | 22117 | 22222 | 15546 | 14180 |
| June | " | 19721 | 20067 | 19388 | 23642 | 23260 | 17158 | 14691 |
| July | " | 20746 | 21065 | 17353 | 27055 | 19562 | 19250 | 14097 |
| August | " | 23308 | 23754 | 20994 | 27005 | 20408 | 22276 | 15091 |
| September | " | 22616 | 22924 | 23510 | 23255 | 22663 | 20381 | 16426 |
| October | " | 19433 | 19808 | 22436 | 21998 | 24768 | 17900 | 17395 |
| November | " | 18135 | 18485 | 19616 | 20687 | 22030 | 17710 | 16673 |

**Note**: RSS - Ribbed Smoked Sheets grade 4 and 5 traded in the domestic market (Kottayam market) of Natural Rubber; Latex (60% drc) - Processing of NR latex into high-quality latex concentrate of 60% dry rubber content is done through centrifugation (CENEX); ISNR - Indian Standard Natural Rubber (ISNR) / Block Rubber

The NR prices peaked at ₹ 247 per kg on August 9, 2024, before declining by 19 per cent to ₹200 per kg. The last time the commodity breached the ₹ 200 per kg mark was in 2011, propelled by demand recovery after the Global Financial Crisis, aided by the accommodative stance of the US Federal Reserve and other central banks. Mr. Shashi Singh, president, All India Rubber Industry Association (AIRIA), said, "*While imported NR costs around ₹ 200 per kg, domestic is currently at ₹ 210 to ₹ 220 per kg which had, during the monsoon season, gone up to ₹ 245 per kg. There is a 25 per cent customs duty or ₹ 30 per kg (whichever is higher) on imported NR which costs around ₹ 200 per kg so the duty impact is ₹ 50.*"

Mr Arnab Banerjee, MD and CEO of CEAT Ltd., highlighted that domestic NR prices soared to a 15-year high of approximately ₹ 250 per kg during the first half of the fiscal year. Tyre manufacturers anticipate some relief from the high raw material costs in the second half of the fiscal year, following the significant impact of these elevated prices. He further added, "*Typically, domestic, and international NR prices move in tandem, with a difference of ₹ 5 to ₹ 10 per kg. However, this time, the gap between domestic and international prices widened significantly, reaching as much as ₹ 50 per kg.*" This mismatch between the international rubber prices and the domestic rubber prices made it challenging for companies to justify and negotiate higher product prices with their international clients.



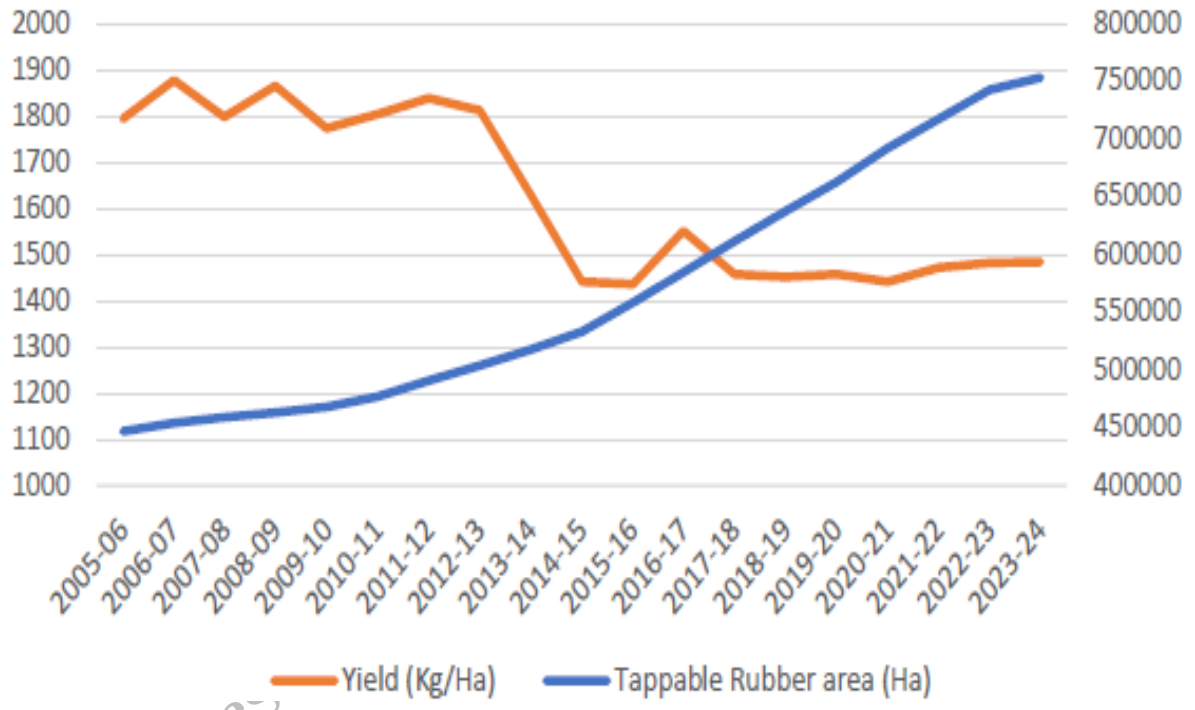
**Area and yield of Natural Rubber in India**

Table 4: Annual Trends in Area, and Production of Natural Rubber in India

| Year | Rubber area (Ha) | Tappable Rubber area (Ha) | Production (tonnes) | Average Yield(kg/ha) |
|---|---|---|---|---|
| 2017-18 | 8,20,900 | 6,12,000 | 6,94,000 | 1,458 |
| 2018-19 | 8,22,000 | 6,37,900 | 6,51,000 | 1,453 |
| 2019-20 | 8,22,300 | 6,63,700 | 7,12,000 | 1,459 |
| 2020-21 | 8,23,000 | 6,92,900 | 7,15,000 | 1,442 |
| 2021-22 | 8,26,660 | 7,18,300 | 7,75,000 | 1,472 |
| 2022-23 | 8,50,000 | 7,43,650 | 8,39,000 | 1,482 |
| 2023-24p | 8,88,400 | 7,53,885 | 8.57,000 | 1,485 |

The Rubber Board of India has clearly brought out the urgent need to increase the area under rubber cultivation to meet the demand of 15 lakh tonnes of NR by 2025-26. Total NR demand in the country rose significantly by 9 per cent during FY23 compared to FY22. India is largely dependent on the imports of NR, which heavily strains the foreign exchange. The area under rubber cultivation increased from 8,20,900 hectares in FY18 to 850,000 hectares in FY23. But the yield has still not increased much in the past decade (see figure below).

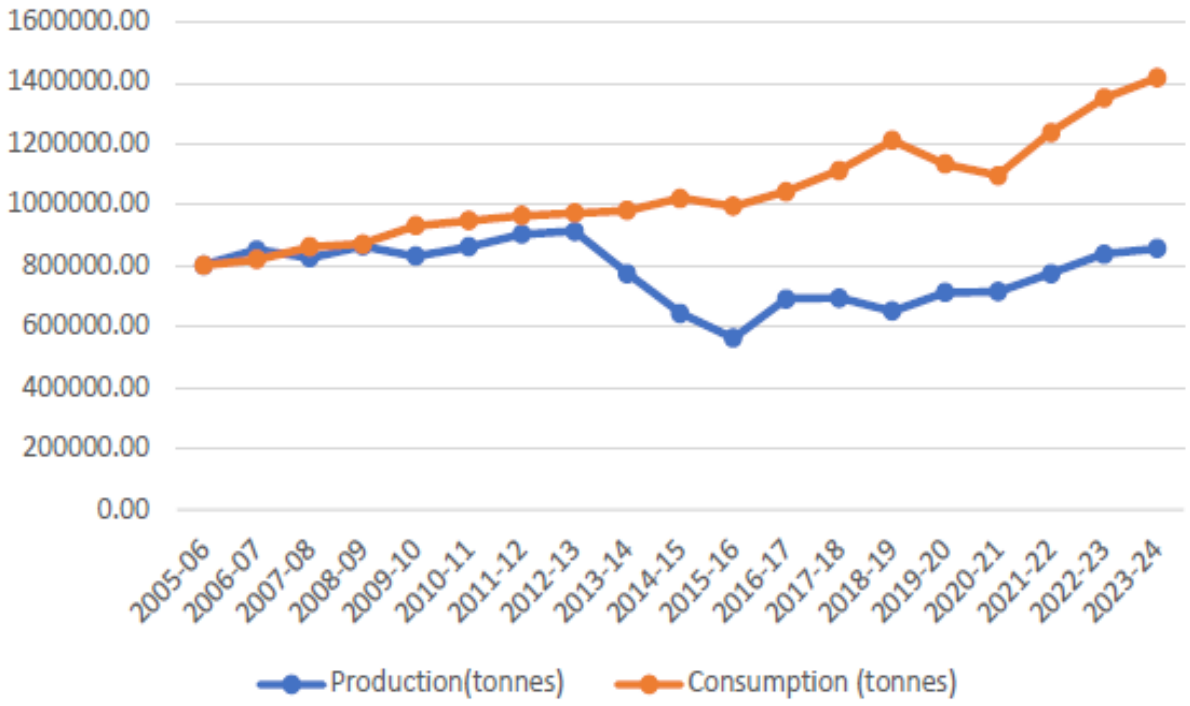
**Figure 3: Trend showing Yield for NR not increasing wrt to tappable area**




**Demand Supply Gap**

While the demand for rubber soared high in 2024, it still faced issues in terms of productivity. This is mainly because of climate change. Traditionally predictable monsoons allowed plantation owners to manage rubber tree productivity effectively. Now, Kerala experiences almost continuous rainfall for 6–8 months, reducing rubber tapping days, lowering latex output, and causing faster deterioration of plastic rain guards.

Figure 4: Demand supply Gap




The disparity between the production and consumption of NR has increased considerably. While some relief is anticipated in the near future as the gap is expected to stabilize in the years to come. In the first two quarters of FY25, the prices of NR increased by ~34 per cent YoY. The average yield of NR has declined for the past decade and a half. It was trending at 1879 kg/ha (kilogram per hectare) in 2006-07, which came down to 1485 kg/ha in 2023-24(p). To address this supply gap, tyre makers rely more on imports than domestic production.

**INROAD (Indian Natural Rubber Operations for Assisted Development)**

The INROAD project aims to develop 2,00,000 hectares of rubber plantations in Northeast India and West Bengal, funded by ATMA members Apollo, Ceat, JK, and MRF, and implemented by the Rubber Board of India. Benefiting 2.5 lakh people, the project is expected to boost the region's share of India's NR plantation area from 23 per cent to 38 per cent and its NR production share from 16 per cent to 32 per cent.

There has been a remarkable increase in rubber production from Northeast states from FY18 with Tripura leading the way. There has also been a significant rise in

rubber production from Assam, Nagaland, and Meghalaya. Tripura is the second-largest rubber-producing state in India, after Kerala, which is why a regional office of the Rubber Board has been established in Kerala. One of India's largest and oldest rubber plantation company, which is jointly owned by the RPG and RP-Sanjiv Goenka groups, i.e., Harrisons Malayalam Ltd., is in Kerala. The plantation in the North-East under the project INROAD (Indian Natural Rubber Operations for Assisted Development) for FY25 stands completed. In the first four years of the project an area of 125272 hectares (ha) has been covered under new NR plantations across 94 districts in North-East and parts of West Bengal.

In India, approximately 75 per cent of the rubber cultivation area is concentrated in Kerala and Tamil Nadu's Kanyakumari district. The northeastern states account for about 15 per cent, with Tripura leading the region at 9 per cent. The remaining cultivation is spread across other South Indian states.

After the North-East, the Konkan belt in Maharashtra is poised to become the next major hub for NR production, thanks to its favorable climate and soil conditions. The area dedicated to NR cultivation in Maharashtra steadily increased, growing from 2,090 hectares in 2013-14 to 2,740 hectares in 2021-22. Despite the growth, Maharashtra lacks state-specific subsidies like those available in Kerala12. Hopefully, this expansion will reduce the supply gap for the NR.



**Synthetic Rubber**

Table 5: Type-wise Production of Synthetic Rubber (tonnes)

| Types | Sept-24 | Sept-23 | April -Sept 2024 | April - Sept 2023 | April 2023 to March 2024 |
|---|---|---|---|---|---|
| Styrene Butadiene (SBR) | 25660 | 25600 | 151289 | 150957 | 298729 |
| Poly Butadiene (BR) | 11500 | 11000 | 65820 | 68000 | 134375 |
| Other SR | 8235 | 8600 | 66117 | 55381 | 113461 |
| **Total** | **45395** | **45200** | **283226** | **274338** | **546565** |

The domestic Synthetic Rubber (SR) production was 45,395 tonnes during September 2024 and the total production of SR from April to September 2024 was 274,338 tonnes increased by 3.2 per cent year on year (YoY).

**Table 6: Consumption of Synthetic Rubber (tonnes)**

| Types | Sept-24 | Sept-23 | April -Sept 2024 | April - Sept 2023 | April 2023 to March 2024 |
|---|---|---|---|---|---|
| Styrene Butadiene (SBR) | 33500 | 32500 | 206980 | 190905 | 390330 |
| Poly Butadiene (BR) | 21500 | 20750 | 133200 | 120040 | 245370 |
| Other SR | 14700 | 12650 | 88420 | 76855 | 148365 |
| **Total** | **69700** | **65900** | **428600** | **387800** | **784065** |

A quantity of 69,700 tonnes of SR was estimated to have been consumed in the country during September 2024. The total SR consumption during April to September 2024 was 428,600 tonnes, an increase of 10.5 per cent from 387,800 tonnes consumed during the same period a year ago.

Crude oil prices play a critical role in determining synthetic rubber prices, as synthetic rubber is derived from petrochemical feedstocks like styrene and butadiene, which are by-products of crude oil refining. If crude oil prices rise, the production costs for these feedstocks increase, leading to higher synthetic rubber prices. Conversely, a decline in crude oil prices can reduce synthetic rubber costs. In the coming months, fluctuations in global crude oil prices, driven by factors such as geopolitical tensions, OPEC production decisions, and global demand trends, will likely have a direct impact on synthetic rubber prices in India. Additionally, the value of the Indian rupee against the US dollar could further influence costs, as crude oil and its derivatives are traded internationally in dollars.

*Source: https://www.infomerics.com/admin/uploads/rubber-industry2025.pdf*

# 7. Tyre Market Size and Overview

***Global Tire Market***

*The Global tire market was valued at USD 279.80 billion in 2024 and is estimated to reach USD 447.08 billion by 2030, growing with a CAGR a of 8.2% by value in the forecast years.* The global tire market has experienced significant growth driven by the rising demand for vehicles and increasing urbanization. The automotive industry continues to expand, pushing the need for high-performance tires across various vehicle segments, including passenger cars, commercial vehicles, and electric vehicles. Technological advancements in tire manufacturing have also played a crucial role, as innovations such as run-flat tires, eco-friendly tires, and smart tires have attracted consumers looking for both safety and sustainability. The adoption of electric vehicles (EVs) has further influenced tire production, with manufacturers focusing on designing tires optimized for energy efficiency and reduced rolling resistance. According to the International Organization of Motor Vehicle Manufacturers (OICA), countries like Canada, Germany, the United Kingdom, and others witnessed significant growth in vehicle production capacity in 2023. This included total vehicle production capacities of 1,553,026, 4,109,371, and 1,025,474, reflecting percentage changes of 26%, 18%, and 17% from the previous year, respectively.

Consumer preference for enhanced vehicle performance, fuel efficiency, and safety is another key factor fueling market growth. Tires that offer better traction, handling, and longer life span are becoming highly sought after. Manufacturers are responding to these demands by developing products using advanced materials such as silica compounds and synthetic rubber, which improve fuel efficiency and reduce tire wear. Environmental concerns are also driving demand for tires made from sustainable materials, such as bio-based rubbers, which are expected to contribute to a greener future for the tire industry. Furthermore, the trend toward digitalization has led to the introduction of tire pressure monitoring systems and connected technologies, offering consumers greater control over their tire's performance.

Despite the positive growth, the tire market faces several challenges. The fluctuation in raw material prices, particularly natural rubber, synthetic rubber, and steel,

continues to impact the profitability of manufacturers. Supply chain disruptions and the rising costs of production are additional hurdles. Furthermore, increased environmental regulations are compelling manufacturers to innovate, which requires significant investments in research and development. Competing with the rising popularity of ride-sharing services and autonomous vehicles, which could reduce the overall demand for new tires, presents another challenge for tire producers. Manufacturers must continue to focus on innovation, sustainability, and cost-effectiveness to remain competitive in an ever-evolving marketplace.

**Market Drivers**

**Increasing Vehicle Production and Sales**

The demand for tires is closely linked to the global growth in vehicle production. As more vehicles are manufactured, the need for replacement tires rises significantly. The surge in automotive sales, driven by both emerging markets and the growing middle-class population, contributes to this increase. New vehicle models often require specific tire types, further driving the demand for specialized tires, especially in segments like luxury, electric, and electric vehicles (EVs). This consistent production volume keeps the tire market expanding, offering opportunities for manufacturers to develop products tailored to various market needs. For instance, global vehicle sales reached 92.4 million units in 2023, marking a 10.8% increase from 2022. The strong sales growth, bolstered by an 11% rise in December, signals increasing demand and production. The continuous upward trend in global vehicle sales reflects robust recovery and heightened consumer demand across key markets, including North America, Europe, and Asia. This surge highlights the automotive industry's resilience and adaptability, indicating a promising outlook for the sector.

**Technological Advancements in Tires**

Innovations such as self-healing tires, airless tires, and smart tires equipped with sensors are changing the landscape of tire manufacturing. These technologies enhance performance, longevity, and safety, pushing the demand for advanced tire solutions. Consumers now seek tires that can adapt to road conditions, optimize fuel efficiency, and provide real-time data on tire health. With these breakthroughs, the market sees an influx of high-tech, value-added tires that cater to both consumers and manufacturers looking to reduce maintenance costs and improve driving experiences.

Environmental concerns and the need to reduce carbon footprints have placed a spotlight on tire manufacturing processes. Tires that reduce rolling resistance not only improve fuel efficiency but also contribute to lowering greenhouse gas emissions. Manufacturers are responding by producing more eco-friendly tires using sustainable materials such as natural rubber, recycled materials, and bio-based compounds. As governments enforce stricter environmental regulations, the trend toward sustainable tire production gains momentum, which, in turn, drives market growth in the eco-conscious consumer segment.

**Urbanization and Changing Consumer Lifestyles**

As cities continue to grow, more people are adopting vehicles, particularly in developing regions. Increased urbanization leads to higher demand for both private and shared transportation, which in turn drives the tire market. Urban consumers also look for durable and low-maintenance tires that can withstand the often unpredictable road conditions associated with city living. Furthermore, as more consumers shift towards electric and hybrid vehicles, tire manufacturers are developing specialized tires suited to these innovative vehicles, boosting the market demand in urbanized settings.

**Rise in E-commerce and Online Tire Sales**

E-commerce is reshaping how consumers purchase tires. The convenience of buying tires online, along with competitive pricing, has attracted many to make purchases through digital platforms. This shift allows consumers to browse through a wide range of options, compare prices, and have tires delivered to their doorstep or even installed at home. The growth of online retailing has expanded the customer base for tire manufacturers, enabling them to target more diverse consumer segments globally, further accelerating market growth.

**Key Market Trends**

**Growth of Electric and Autonomous Vehicles**

The rise of electric and autonomous vehicles (EVs) is a major trend influencing the tire market. Tires for electric vehicles require unique specifications, such as low rolling resistance to improve energy efficiency, enhanced durability for longer lifespan, and quieter operations. Similarly, autonomous vehicles demand tires that can withstand

varying road conditions and provide real-time data for vehicle safety systems. As the adoption of EVs and autonomous cars increases, tire manufacturers are focusing on developing specialized tire technologies tailored for these new forms of transportation.

**Integration of Smart Tires and Sensors**

Smart tires equipped with sensors that monitor tire pressure, temperature, wear, and road conditions are becoming increasingly popular. These technologies enhance safety by providing real-time data, alerting drivers to potential issues before they become critical. The integration of smart tires in the Internet of Things (IoT) ecosystem allows consumers to track tire health and make informed decisions regarding tire maintenance or replacement. As consumers and businesses alike demand enhanced tire performance and connectivity, the smart tire market is expected to grow rapidly, spurring innovations in the industry.

**Sustainability and Eco-friendly Products**

Sustainability continues to be a dominant trend in the tire industry, with both consumers and regulatory bodies demanding greener products. Manufacturers are developing eco-friendly tires using renewable materials like bio-based rubber, recyclable compounds, and low-energy production processes. In addition, tire recycling programs and efforts to reduce waste through tire retreading and reusing materials are gaining momentum. This growing focus on environmental responsibility is driving the adoption of sustainable practices and products, aligning with global efforts to reduce carbon footprints.

**Custom and High-performance Tires**

As consumers seek enhanced vehicle performance, there is a growing trend toward specialized, high-performance tires. These tires offer superior handling, durability, and speed capabilities. The demand for tires tailored to specific vehicle types, such as sports cars, SUVs, or off-road vehicles, is increasing. Manufacturers are responding by developing tires that offer improved grip, better fuel economy, and longer-lasting durability. This trend is particularly evident among luxury car buyers and those who prioritize performance features in their vehicles.

### Tire-as-a-Service (TaaS)

A rising trend in the tire industry is the concept of Tire-as-a-Service (TaaS). This business model shifts away from the traditional ownership of tires to a service-based approach where customers pay for tire usage rather than purchase them outright. This model is gaining traction, particularly in fleet management, where companies prefer paying for tire usage instead of investing in upfront purchases. TaaS offers tire manufacturers and suppliers a recurring revenue stream, while providing customers with cost-effective, on-demand tire solutions for their vehicles.


### Regional Insights

In 2024, the Asia-Pacific region hold a dominant position in the global tire market. This region's large and growing automotive industry, coupled with an expanding middle class, makes it a major hub for both vehicle production and tire consumption. Countries like China, Japan, India, and South Korea play a pivotal role in driving the demand for tires, largely due to their vast automotive manufacturing capabilities and rising vehicle sales. China, as the world's largest automotive market, significantly influences the demand for both OEM and replacement tires. The country's rapidly developing infrastructure, coupled with increasing urbanization, further fuels the need for tires across various vehicle segments, including passenger cars, commercial

vehicles, and two-wheelers. The demand for replacement tires is also strong in Asia-Pacific, driven by the high number of vehicles on the road and the rising importance of vehicle maintenance. As vehicle ownership increases, consumers look for high-performance and durable tires to meet their specific needs, including safety and fuel efficiency. The presence of a large number of tire manufacturers within the region further strengthens the market. These manufacturers have the ability to supply both domestic and international markets, making Asia-Pacific a critical player in the tire industry supply chain.

The shift towards electric vehicles (EVs) in countries such as China and India also impacts tire demand. As the adoption of EVs grows, tire manufacturers in Asia-Pacific are focusing on developing tires tailored to the unique requirements of electric vehicles, such as low rolling resistance and improved durability. This trend contributes to the region's dominance in the tire market by catering to the growing number of EVs on the road. Furthermore, the Asia-Pacific region benefits from a strong manufacturing base for raw materials used in tire production, such as rubber andsynthetic materials. This, combined with a large consumer base, provides a steady and cost-effective supply chain for tire manufacturers. As vehicle production continues to expand and consumer purchasing power increases, the Asia-Pacific region remains the leading market in 2024 for both tire demand and supply.

*Source: https://www.techsciresearch.com/report/global-tire-market*

## India Tyre Market

*The India tyre market size was valued at **202.17 million units** in 2024. Looking forward, IMARC Group estimates the market to reach 263.79 **million units** by 2033, exhibiting a **CAGR of 2.85%** from 2025-2033. West and Central India dominate the market, driven by strong automotive hubs, robust infrastructure, rising commercial vehicle demand, government transportation initiatives, and growing export opportunities.*

India is one of the largest producers and consumers of tyres in the world, with a market that caters to a diverse range of vehicles, including two-wheelers, passenger cars, commercial vehicles, and off-the-road (OTR) vehicles. The India tyre market has grown in tandem with the country's automotive sector, benefiting from rising vehicle production, increasing replacement demand, and growing exports.

The tyre market in India is highly competitive, with numerous domestic and international players vying for market share. Major tyre manufacturers have invested heavily in expanding their production capacities, adopting advanced technologies, and developing new products to meet the evolving needs of consumers. The market is segmented based on vehicle type, tyre type, and end-use, each contributing to the overall growth trajectory.

The India tyre market is demand driven by rapid urbanization, increasing vehicle ownership, and a growing automobile industry. As automakers plan to introduce nearly a dozen new EV models in 2025, including premium options with extended range and quicker charging times, the demand for specialized EV tyres surging, which is driving the market demand. In addition, the expanding road infrastructure and government initiatives, have boosted demand for tyres in both urban and rural areas, aiding the market growth. Moreover, the rising adoption of radial tyres, owing to their durability and fuel efficiency, is strengthening the market share. Besides this, the surge in commercial vehicle sales, fueled by expanding logistics, e-commerce, and construction activities, is driving the market demand. Furthermore, strong foreign investments and technology collaborations contribute to product innovation, thus impelling the market growth.

Concurrent with this, the increasing focus on sustainability and eco-friendly tyres, as manufacturers adopt green production methods and fuel-efficient designs is driving the India tyre market growth. In line with this, the rise of electric vehicles (EVs) has influenced tyre innovation, with companies developing specialized tyres to meet EV performance needs, boosting the market demand. For example, the Indian government approved a ₹109 billion ($1.3 billion) incentive scheme to promote EVs, aiming to increase EV adoption and enhance charging infrastructure, which is influencing tyre manufacturers to develop EV-specific tyres. Additionally, the growing exports of tyres to the country to global markets, backed by competitive pricing and quality improvements, is significantly providing an impetus to the market. Furthermore, the replacement tyre segment is expanding due to rising disposable incomes and consumer awareness regarding vehicle maintenance, which is fueling the market demand. Apart from this, favorable government policies are thereby propelling the market forward.

**Key Drivers of Growth**

**Rising Vehicle Production and Sales:** One of the primary drivers of the tyre market in India is the consistent growth in vehicle production and sales. With the expansion of the automotive industry, particularly in the passenger car and two-wheeler segments, the demand for tyres has seen a steady increase. The growing middle class, rising disposable incomes, and increasing urbanization have all contributed to the surge in vehicle ownership, further driving the demand for tyres.

**Growing Replacement Demand:** The replacement market plays a crucial role in the India tyre market. As the number of vehicles on the road continues to grow, the need for tyre replacements has also increased. Tyres are subject to wear and tear, and regular replacement is essential for ensuring vehicle safety and performance. The replacement market is particularly strong in the two-wheeler and passenger car segments, where tyre longevity and performance are critical factors for consumers.

**Expansion of the Automotive Aftermarket:** The automotive aftermarket in India has witnessed significant growth, driven by the increasing demand for vehicle maintenance, repair, and customization services. Tyres are a vital component of the aftermarket, and the growing awareness among consumers about the importance of tyre quality and maintenance has led to higher sales in this segment. Additionally, the

proliferation of organized retail chains and online platforms has made it easier for consumers to access a wide range of tyre products, further boosting market growth.

**Technological Advancements:** The India tyre market has embraced technological advancements to enhance product quality, performance, and durability. Manufacturers are increasingly investing in research and development (R&D) to develop innovative tyre designs, such as radial and tubeless tyres, that offer superior grip, fuel efficiency, and longer life. The adoption of automation and advanced manufacturing techniques has also improved production efficiency, enabling manufacturers to meet the growing demand.

**Export Opportunities:** India has emerged as a significant exporter of tyres, catering to markets in Asia, Africa, Europe, and the Americas. The country's cost-competitive manufacturing base, coupled with the growing reputation of Indian tyre brands, has made Indian tyres increasingly popular in international markets. The government's focus on boosting exports through incentives and trade agreements has further supported the growth of the tyre export market.

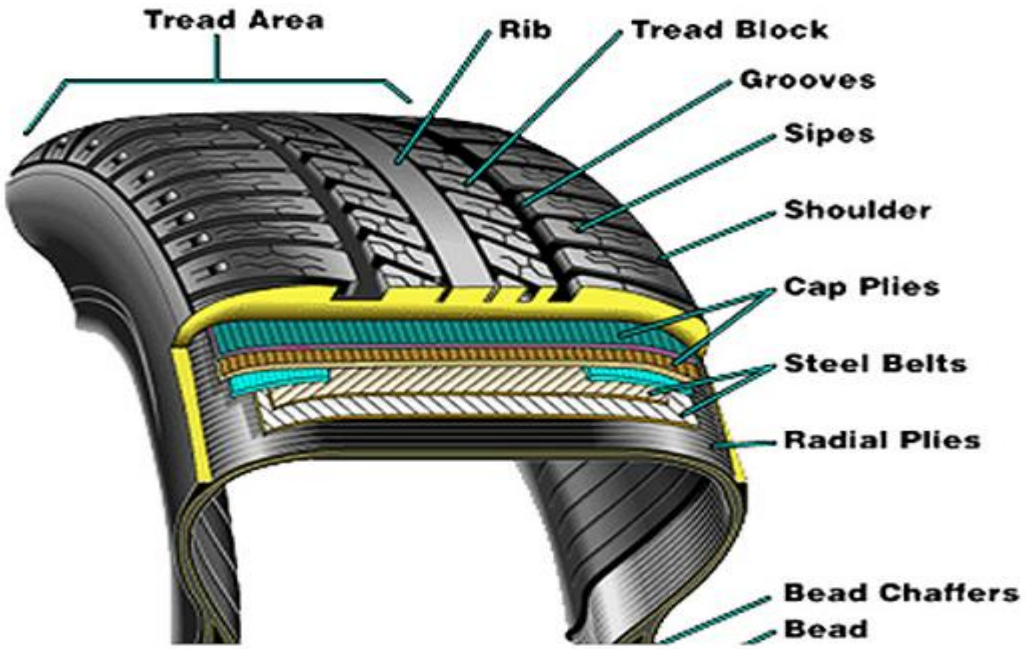
*Source: https://www.imarcgroup.com/india-tyre-market*

# 8. Tyre Components and Market

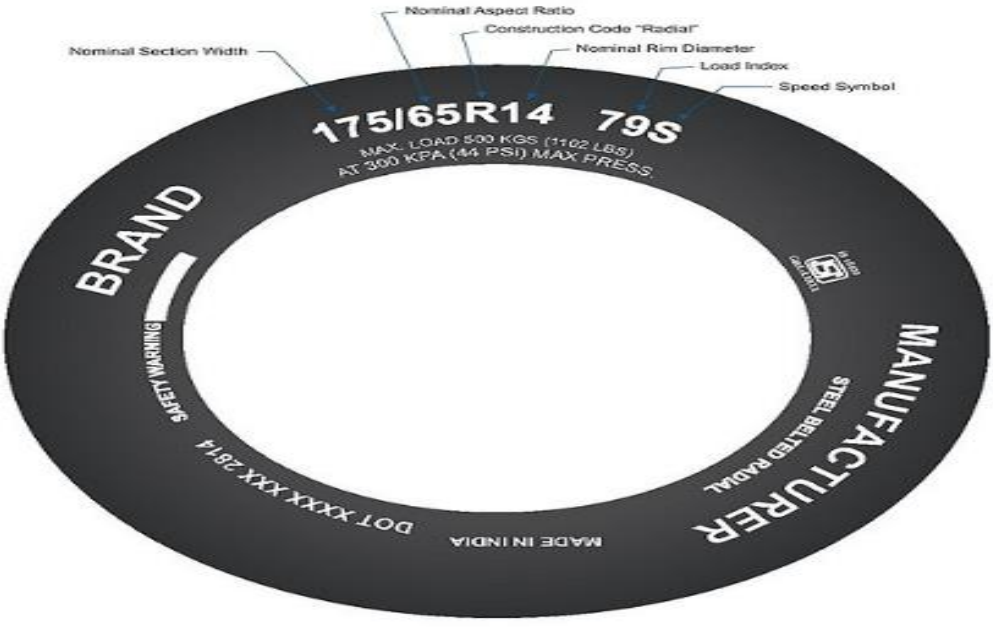
- The components of different Types of Tyre are shown below:

## Passenger Car Tyre

### Passenger Car Tyre Cross Section

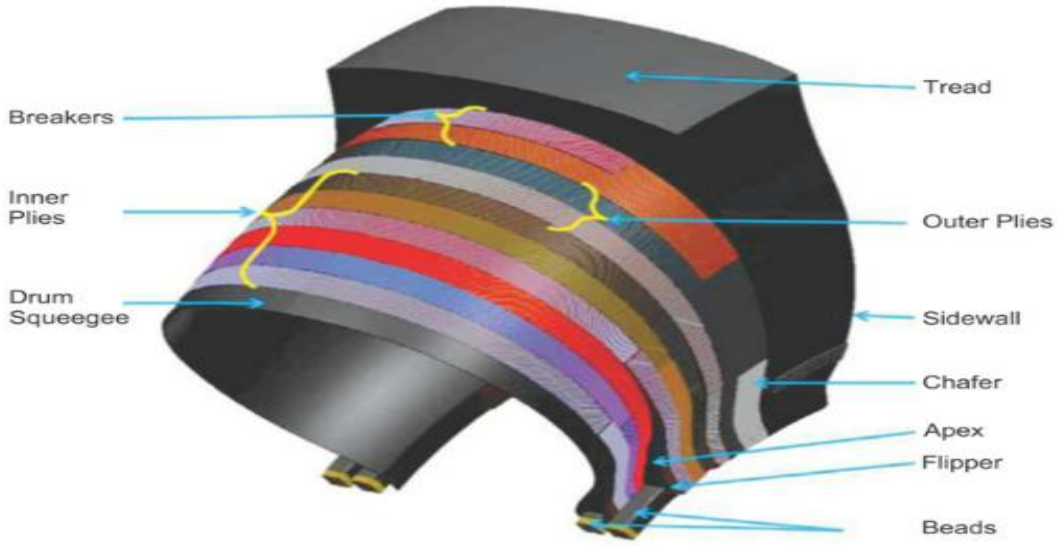



### Passenger Car Tyre Sidewall Marking

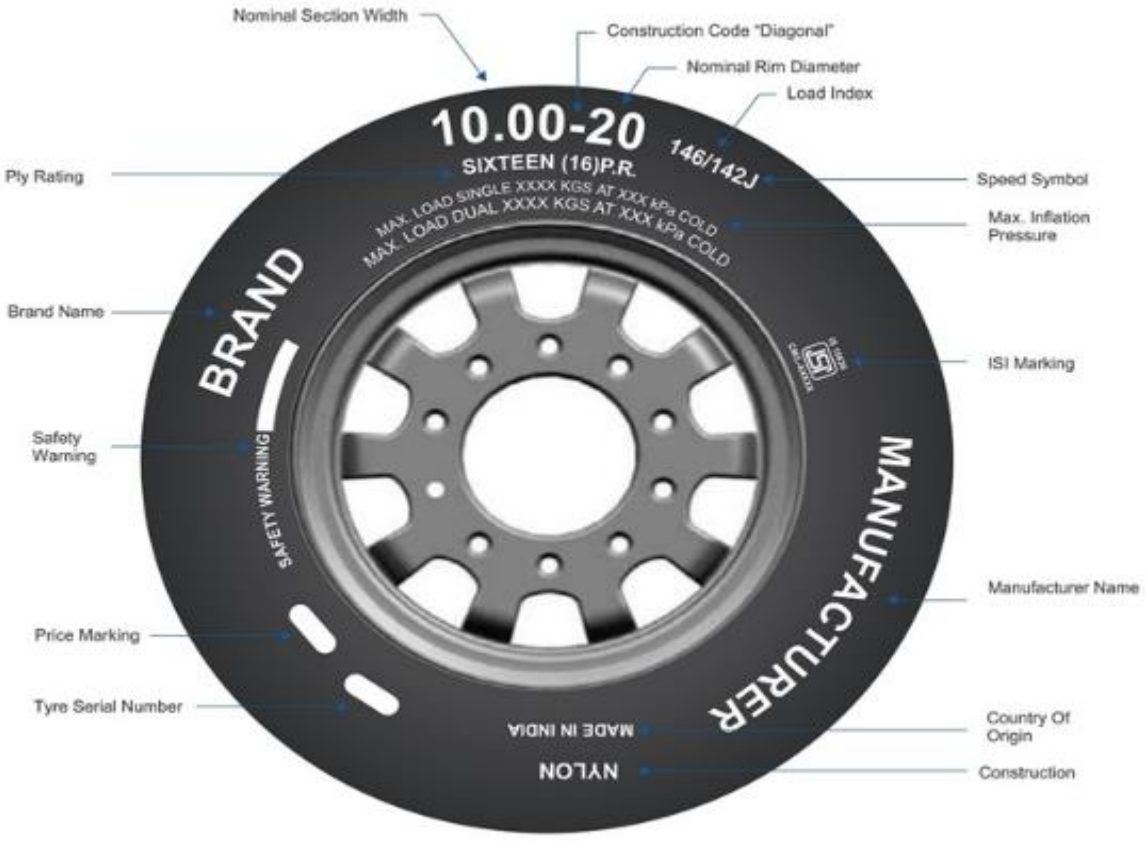


## Commercial Tyres

### Truck & Bus Bias Tyre Cross Section




### Truck & Bus Bias Tyre Sidewall Marking



## Tyre Components Definition

**Bead** – The part of the tyre, which is so shaped as to fit the rim and hold the tyre on to it. It has cores made of several strands of essentially inextensible steel wire with the end of the plies wrapped around the cores for anchorage.

**Sidewall**- The part of the tyre between the bead and the tread, which flexes in service.

**Tread** – This is the part of the tyre which comes in contact with the ground and through which the driving, braking and cornering forces are transmitted. It is made of a special rubber compound to give good wearing properties and in conjunction with the tread pattern to transmit these forces.

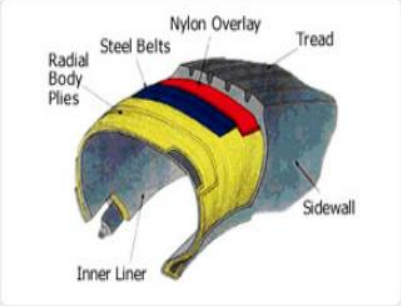
**Ply** – A layer of rubber coated fabric cords.

**Carcass** – The rubber-bonded cord structure of a tyre integral with the bead which provides the requisite strength to carry the load.

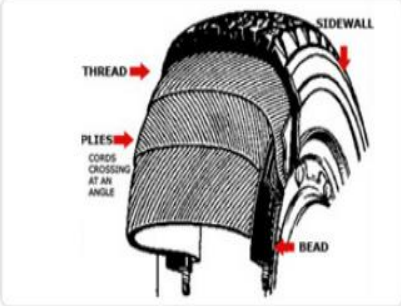
**Breaker (Diagonal)**- Intermediate rubberised fabric layers/plies between the carcass and the tread which helps bonding as well as protects the casing from road shocks.

**Belt (Radial)** – Layers of rubberised material underneath the tread with cords laid substantially in the direction of the tread centre-line that restricts the carcass in the circumferential direction and stiffens the tread area.






Carcass ply cords run at 90 degrees to circumferential axis. Carcass stabilized by steel belts.




Carcass ply cords run Carcass ply cords run at an angle with respect to 90 degrees to circumferential axis of the circumferential axis.

**Advantages Of Radial Tyres :**

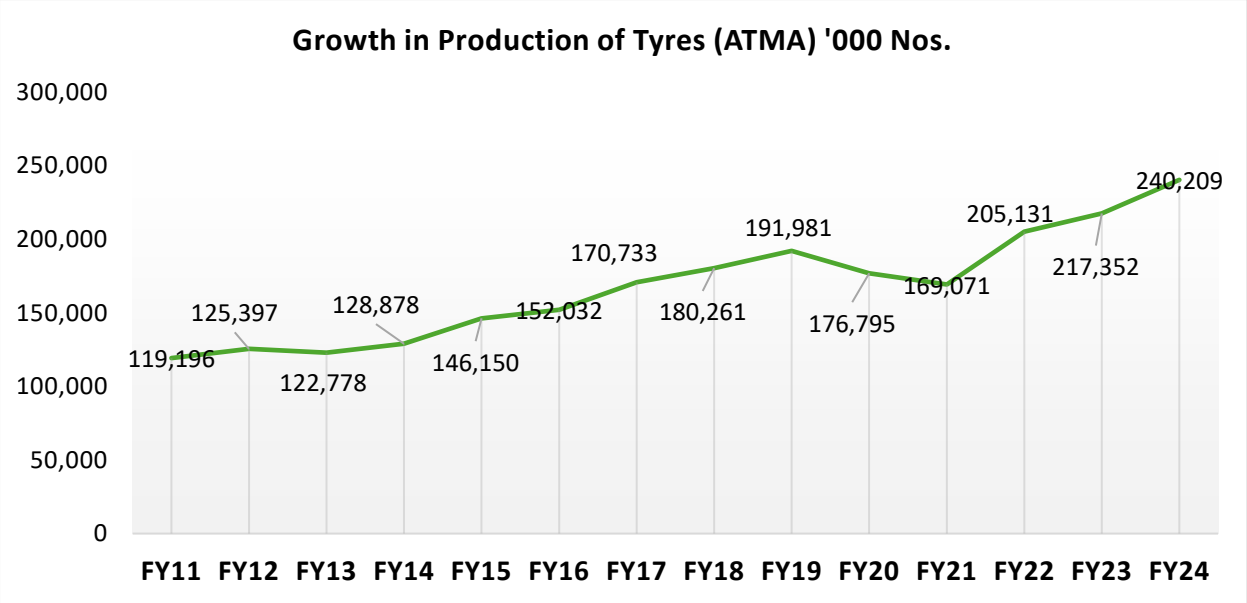
- Longer tyre life resulting from lesser tread squirming & shuffling.
- Improved fuel efficiency due to Reduced rolling resistance.
- Better high speed performance: Better dimensional & directional stability due to reduced edgewise bending.

**Better Vehicle Handling Due To:**

- Minimum distortion in foot print area
- Higher flexibility of sidewalls
- Reduced side slip

**Tyre Market**

The NR is a prime raw material for tyre manufacturing. Tyre makers are likely to see revenue growth of 7-8 per cent this fiscal, driven by a 3-4 per cent increase in both realizations and volume. Revenue will grow in single digit for the second straight year. The industry's margins are likely to face pressure due to high raw material costs. Domestic prices of natural rubber, a key input to manufacture tyres, have risen by around 40 per cent during April- September 2024. Wholesale prices of carbon black have also risen sequentially in the past couple of months.



## Automotive Tyre Production Statistics in India – (in '000 Numbers)

| HSN Classification | Category / Month | Apr '23 | May '23 | Jun '23 | Jul '23 | Aug '23 | Sep '23 | Oct '23 | Nov '23 | Dec '23 | Jan '24 | Feb '24 | Mar '24 | 2023-24p |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 40111010 | Passenger Car(Radial) | 4506 | 4617 | 4301 | 4904 | 4870 | 4940 | 4982 | 4029 | 4726 | 4628 | 4933 | 5123 | 56558 |
| 40111090 | Passenger Car(Bias/Other) | 485 | 520 | 556 | 559 | 560 | 547 | 465 | 453 | 390 | 408 | 406 | 448 | 5798 |
| 40112010 | Truck & Bus (Radial) and LCV (Radial) | 1598 | 1624 | 1571 | 1680 | 1579 | 1648 | 1707 | 1622 | 1734 | 1650 | 1637 | 1767 | 19817 |
| 40112090 | Truck & Bus (Bias) and LCV (Bias/Other) | 1174 | 1209 | 1134 | 1162 | 1109 | 1156 | 1175 | 1178 | 1151 | 1161 | 1092 | 1210 | 13912 |
| 40114010 | Motorcycles | 6189 | 6302 | 6530 | 6690 | 6719 | 6673 | 6882 | 6356 | 7082 | 6752 | 6696 | 6966 | 79838 |
| 40114020 | Scooter | 3161 | 3368 | 3310 | 3713 | 4043 | 4244 | 4055 | 3669 | 3950 | 3938 | 3903 | 4032 | 45386 |
| 40114090 | Tyres used other than Motorcycle/ Scooters | 404 | 395 | 545 | 526 | 568 | 600 | 625 | 553 | 539 | 426 | 363 | 419 | 5962 |
| 40117000 | Agricultural/Forestry (Tractor) | 906 | 901 | 834 | 833 | 821 | 799 | 836 | 761 | 687 | 819 | 920 | 973 | 10091 |
| 40118000 | Construction, Mining & Industrial | 192 | 193 | 182 | 206 | 173 | 179 | 196 | 180 | 210 | 199 | 214 | 222 | 2346 |
| 40119000 | Others | 41 | 41 | 34 | 35 | 30 | 33 | 38 | 39 | 52 | 49 | 57 | 52 | 501 |
| | Total | 18657 | 19170 | 18997 | 20309 | 20473 | 20818 | 20961 | 18841 | 20520 | 20029 | 20221 | 21214 | 240209 |

*P: provisional*

*Source:* https://www.atmaindia.org.in/

# 9. India Tyre Market Segmentation

The India tyre market can be segmented based on vehicle type, tyre type, end-use, and region.

**By Vehicle Type:**

**Two-Wheelers**: The two-wheeler segment is the largest consumer of tyres in India, driven by the country's high motorcycle and scooter ownership. The increasing preference for personal mobility, particularly in urban areas, has led to strong demand for two-wheeler tyres.

In the first half of fiscal year 2025 (April-September 2024), India's two-wheeler industry achieved significant growth, with total wholesales surpassing 10 million units—a milestone not reached in six years. This 16.31% year-on-year (YoY) increase was driven by:

- **Motorcycles:** Sales rose by 16.31%, with the premium motorcycle segment (engines ≥125cc) experiencing a robust 19-21% growth, indicating a consumer shift towards higher-capacity bikes.
- **Scooters:** This segment saw a 22% YoY increase, attributed to strong urban demand and rising female workforce participation.
- **Electric Vehicles (EVs):** Electric two-wheeler sales surged by approximately 33%, increasing their market share to about 6% in 2024, up from 4.9% in 2023. This growth reflects a growing consumer interest in sustainable mobility options.

**Passenger Cars**: The passenger car segment is another significant contributor to the tyre market, with a growing number of middle-class consumers opting for personal vehicles. The demand for high-performance and fuel-efficient tyres in this segment is on the rise.

Further, the passenger car market is undergoing notable shifts:

- **SUV Demand:** Sales of Sports Utility Vehicles (SUVs) increased by 14% in 2024, now comprising 56% of the market. This trend is driven by affluent consumers' preference for larger vehicles, even amid economic slowdowns.

- **Price Adjustments:** Major manufacturers are adjusting prices in response to rising input costs:
    - *Maruti Suzuki India* plans to increase car prices by up to 4% starting April 2025.
    - *Hyundai Motor India* announced a price hike of up to 3%, also effective from April 2025.
- **Electric Vehicles (EVs):** Manufacturers are intensifying their focus on EVs:
    - *Tata Motors* is investing in local battery production to maintain its competitive edge as more players enter the Indian EV market.
    - *Volkswagen's Skoda* plans to invest in manufacturing EVs in India, underscoring the market's potential despite existing challenges.

**Commercial Vehicles**: The commercial vehicle segment, which includes trucks, buses, and light commercial vehicles (LCVs), is crucial for the tyre market. The growth in e-commerce, logistics, and infrastructure development has fueled the demand for commercial vehicle tyres.

**Off-The-Road (OTR) Vehicles**: The OTR segment includes tyres for construction, mining, and agricultural vehicles. The increasing focus on infrastructure development and mechanization in agriculture has driven demand in this segment.

The Off-The-Road (OTR) vehicle market, which includes all-terrain vehicles (ATVs), utility task vehicles (UTVs), and specialized machinery, is witnessing significant growth due to multiple factors. Globally, the market was valued at approximately USD 12.37 billion in 2020 and is expected to reach USD 22.62 billion by 2030, growing at a compound annual growth rate (CAGR) of 7.3% during the forecast period. While North America has traditionally been the dominant region, the Asia-Pacific market is expected to grow at a higher CAGR of 8.6%, driven by increasing industrialization and infrastructure development. Technological advancements, such as the integration of digital navigation systems and connectivity features, are enhancing the performance and appeal of OTR vehicles. Additionally, rising interest in outdoor recreational activities and adventure sports, particularly in North America, has contributed to the

growing demand for ATVs and UTVs. Beyond recreation, OTR vehicles are widely used in industries such as agriculture, construction, and mining due to their ability to navigate diverse terrains and improve operational efficiency. Furthermore, emerging markets are seeing a surge in demand for these vehicles as rapid industrialization and infrastructure expansion drive the need for efficient construction and agricultural solutions.

**Increase in Demand for OTR Tyre**

India has witnessed an increase in demand for Off-The-Road (OTR) tyres in recent years. Several factors are included in this growing demand. Firstly, there has been significant infrastructure development in the country, including the construction of roads, highways, and airports. These projects require heavy machinery and vehicles that rely on OTR tyres for optimal performance in challenging terrains.

Secondly, the mining and construction sectors in India have experienced substantial growth. OTR tyres are essential for heavy-duty vehicles used in mining operations, earthmoving equipment, and construction projects. Moreover, the agriculture sector, which heavily relies on tractors and other agricultural machinery, has also contributed to the demand for OTR tyres. The expansion of mechanized farming practices and the need for increased productivity have driven the demand for reliable and durable OTR tyres. Overall, the increase in infrastructure development, growth in the mining and construction sectors, and mechanization of agriculture have all fueled the demand for OTR tyres in the India tyre market. Manufacturers have responded by expanding their OTR tyre offerings to meet the specific requirements of these sectors.

For example, BKT tyres is creating India-centric products, whether for the mining sector's Mineforce or the agriculture sector's Commander series, or the soon-to-be-launched addition to the Earthmax series. The company has over 1100 SKUs devoted towards the Indian markets.

**By Tyre Type:**

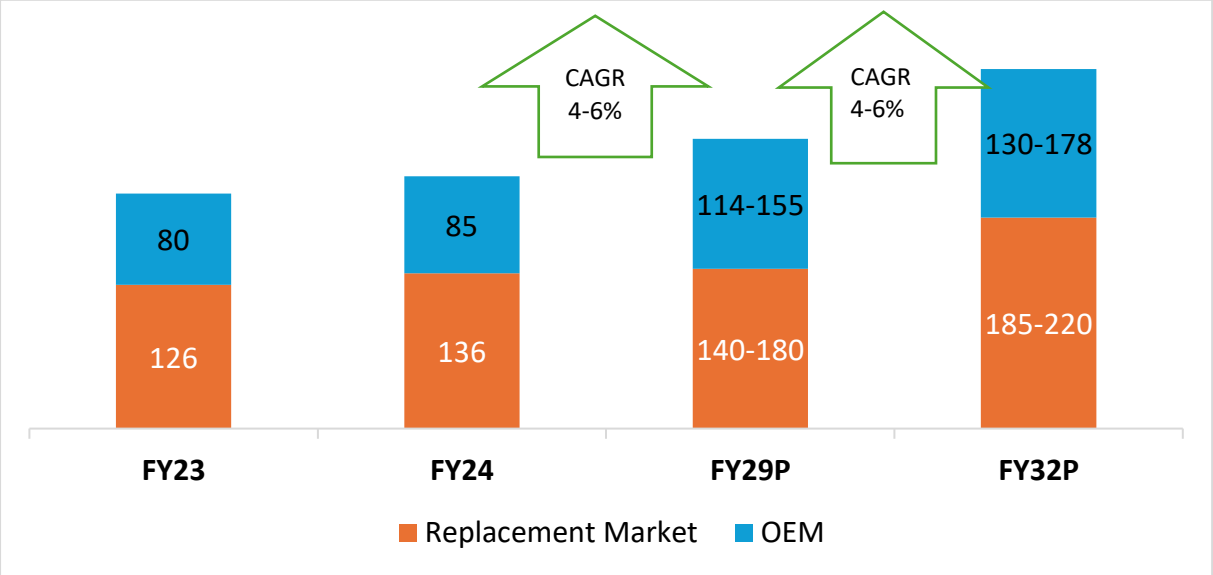
**Radial Tyres:** Radial tyres, known for their durability, fuel efficiency, and better handling, have gained popularity across various vehicle segments. The shift towards radicalization, particularly in the passenger car and commercial vehicle segments, has been a key trend in the market. While specific data on the market size of radial tyres within India is limited, the global radial tyre market was valued at approximately USD

90.47 billion in 2024 and is expected to reach around USD 105.37 billion by 2034, growing at a CAGR of 4.1% from 2025 to 2034.

**Bias Tyres:** Bias tyres, which offer higher load-carrying capacity and are more suitable for rough terrains, continue to be used in specific applications, particularly in the OTR and commercial vehicle segments. According to Transparency Market Research, the global bias tyre market was valued at approximately USD 29.5 billion in 2022 and is projected to reach USD 36.1 billion by 2031, growing at a Compound Annual Growth Rate (CAGR) of 2.3% during the forecast period.

**By End-Use:**

***Overall tyre demand (million units)***




*Note: Overall tyre demand includes 2W, 3W, PV, CV, Tractor and OTR; OTR contributes <2% of overall demand*

**Original Equipment Manufacturer (OEM)**: The OEM segment caters to the tyre requirements of vehicle manufacturers. The growth in vehicle production, particularly in the two-wheeler and passenger car segments, drives demand in the OEM market.

**Replacement**: The replacement market is driven by the need for tyre replacements due to wear and tear, punctures, and damage. This segment accounts for a significant share of the tyre market, particularly in the two-wheeler and passenger car categories.

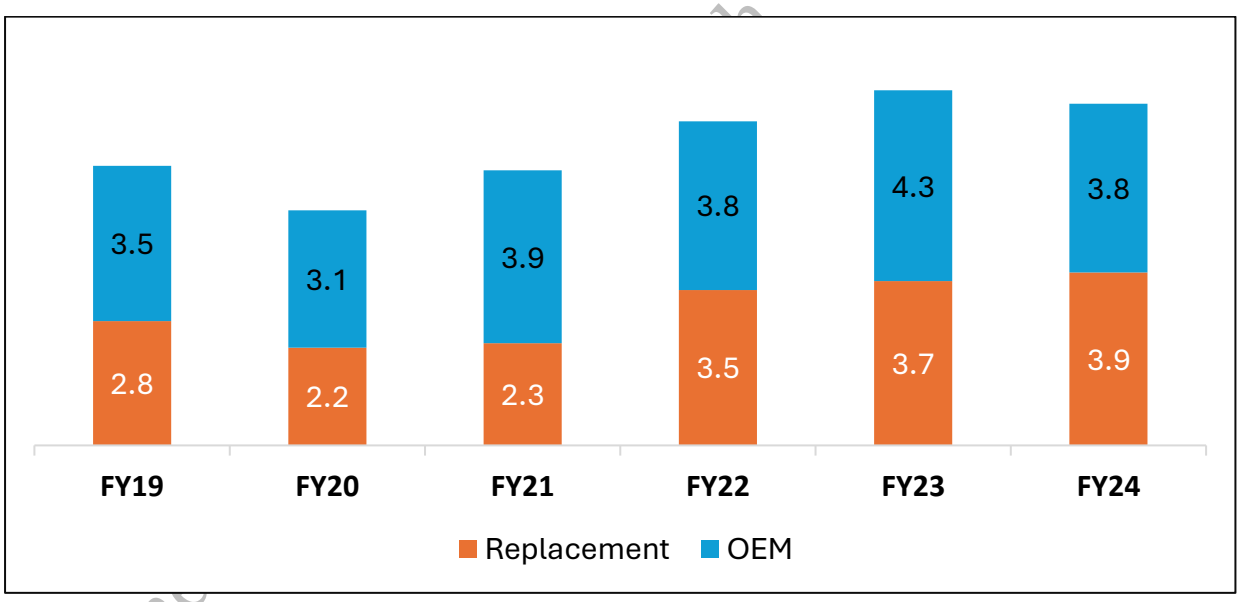
India currently sells around 22 crore tyres annually, with segment-wise distribution as follows: approximately 11 crores for two-wheelers, 6 crore for four-wheelers, 3 crore for commercial vehicles, and 0.7 crore for tractors.

Out of the total tyre sales, around 14 crore tyres cater to the replacement market, while 8 crores are supplied to Original Equipment Manufacturers (OEMs).

Tyre companies typically achieve higher profit margins in the replacement market compared to OEM sales, as they have greater pricing power with individual consumers than with OEMs. Consequently, companies with a larger share in the replacement segment tend to be more profitable in the long run. However, to capitalize on replacement demand, companies must invest in establishing a strong dealer network to ensure widespread availability and customer reach.

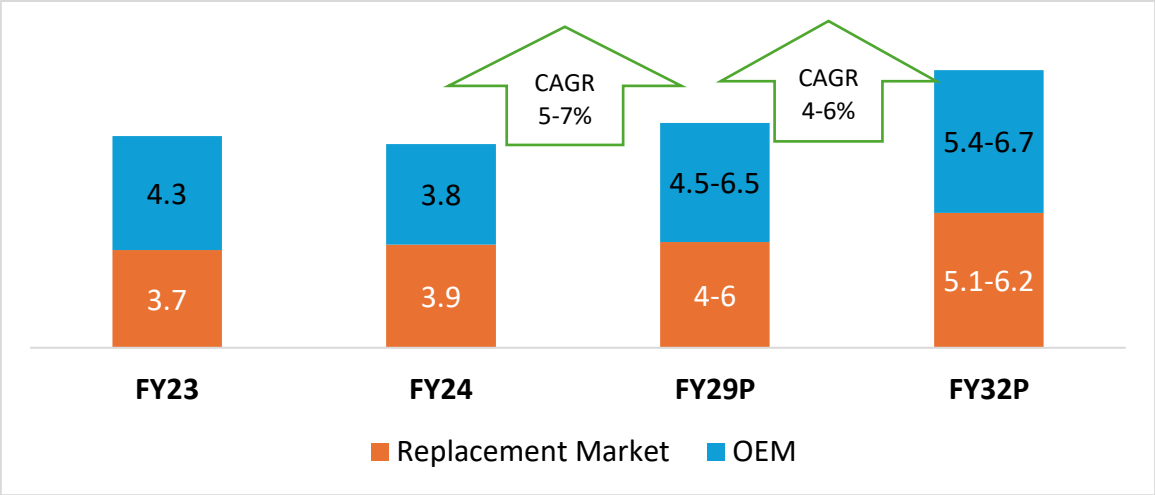
OEM tractor tyre demand is projected to record an **3-5%** growth in fiscal 2025 on account of higher tractor purchases which are estimated to grow by 4-6. Subdued rural sentiments due to erratic rainfall and high input costs have led to a decline in farmer sentiments.

***Tractor tyre demand over fiscals 2019-2024 (million units)***




Tyre demand from the tractor segment is expected to be stable in the long run as the government has set a target to augment farm incomes, provides direct income support to farmers and owing to improvement in land productivity through issuance of soil health cards. The government's renewed thrust on enhancing irrigation intensity is expected to support tractor growth and increase mechanization. Tractor manufacturers have started offering rental services via mobile applications, which will also prop up demand for tractors in the long term.

***Outlook for tractor tyre demand (million units)***




**By Region:**

**North India:** North India is a significant market for tyres, driven by the presence of key automotive hubs in states like Haryana, Punjab, and Uttar Pradesh. The region's strong industrial base and growing vehicle population contribute to its market size.

**South India:** South India is another major market, with states like Tamil Nadu and Karnataka being key automotive manufacturing centers. The region's growing urbanization and industrialization have fueled demand for tyres.

**West India:** West India, particularly Maharashtra and Gujarat, is a significant market for both OEM and replacement tyres. The region's strong economic base and extensive road network support the tyre market's growth.

**East India:** East India, while still developing, presents growth opportunities for the tyre market. The region's improving infrastructure and increasing vehicle ownership are driving demand.

*Source: https://mathmarkets.in/2024/11/15/indian-tire-industry-2*

*https://www.alliedmarketresearch.com/press-release/off-road-vehicle-market.html*

*https://www.precedenceresearch.com/us-off-road-vehicles-market*

*https://www.globenewswire.com/news-release/2024/03/29/2854692/28124/en/Global-Off-Road-Vehicle-Market-Poised-for-Prosperous-Growth-Through-2028*

*https://timesofindia.indiatimes.com/business/india-business/two-wheeler-industry-races-15-17-ahead-moderate-growth-of-2-4-seen-in-2025-from-a-high-base/articleshow/117109407.cms*

# 10. India Automobile Industry -Overview & Market Size

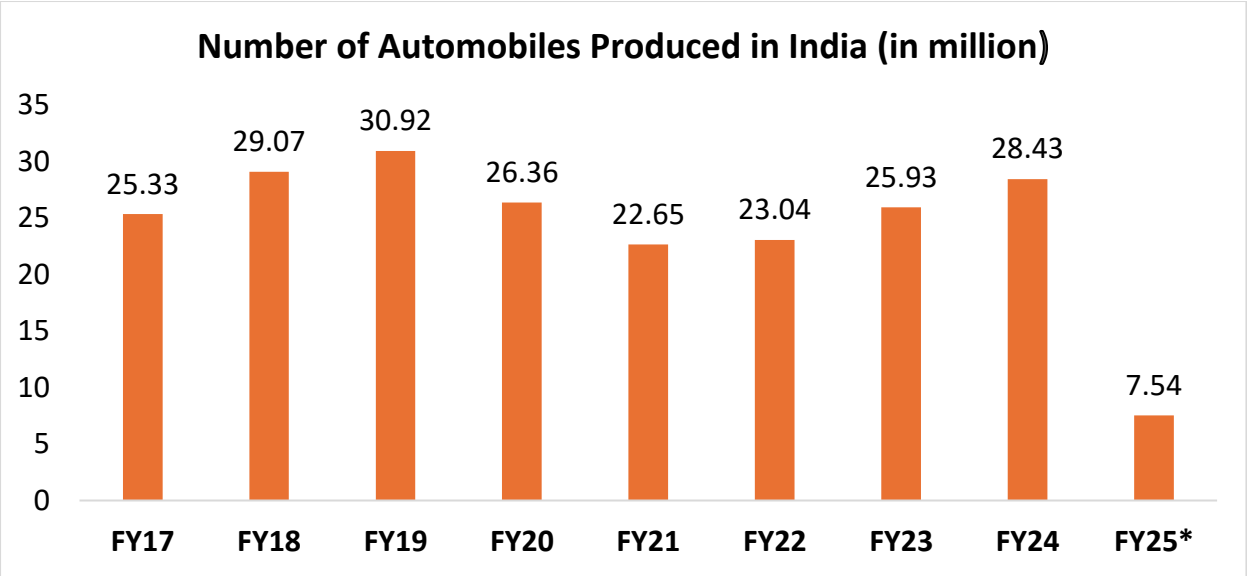
The Indian automobile industry has historically been a good indicator of how well the economy is doing, as the automobile sector plays a key role in both macroeconomic expansion and technological advancement. The two-wheelers segment dominates the market in terms of volume, owing to a growing middle class and a huge percentage of India's population being young. Moreover, the growing interest of companies in exploring the rural markets further aided the growth of the sector. The rising logistics and passenger transportation industries are driving up demand for commercial vehicles. Future market growth is anticipated to be fueled by new trends including the electrification of vehicles, particularly three-wheelers and small passenger automobiles.

India enjoys a strong position in the global heavy vehicles market as it is the largest tractor producer, second-largest bus manufacturer, and third-largest heavy truck manufacturer in the world. India's annual production of automobiles in FY23 was 25.9 million vehicles. India has a strong market in terms of domestic demand and exports. In September 2024, the total production of passenger vehicles*, three-wheelers, two-wheelers, and quadricycles was 27,73,039 units.

In FY23, total automobile exports from India stood at 47,61,487. This sector's share of the national GDP increased from 2.77% in 1992-1993 to around 7.1% presently. It employs about 19 million people directly and indirectly.

India is also a prominent auto exporter and has strong export growth expectations for the near future. In addition, several initiatives by the Government of India such as the Automotive Mission Plan 2026, scrappage policy, and production-linked incentive scheme in the Indian market are expected to make India one of the global leaders in the two-wheeler and four-wheeler market by 2022.

## Market Size




* *The data pertains to projections for the period from April to September in FY25.*

The Indian passenger car market was valued at US$ 32.70 billion in 2021, and it is expected to reach a value of US$ 54.84 billion by 2027 while registering a CAGR of over 9% between 2022-27. The global EV market was estimated at approximately US$ 250 billion in 2021 and by 2028, it is projected to grow by 5 times to US$ 1,318 billion.

In September 2024, the total production of passenger vehicles*, three-wheelers, two-wheelers, and quadricycles was 27,73,039 units. In April - September FY25*, the total production of passenger vehicles, commercial vehicles, three-wheelers, two-wheelers, and quadricycles was 1,56,22,388 units.

In April-September FY25, the total production of passenger vehicles, commercial vehicles, three-wheelers, two-wheelers, and quadricycles was 1,56,22,388 units.

India accomplished a significant milestone, with the sale of 13,25,112 EVs in FY24 (till January 2024).

The Electric Vehicle (EV) market is estimated to reach US$ 7.09 billion (Rs. 50,000 crore) in India by 2025. A study by CEEW Centre for Energy Finance recognised a US$ 206 billion opportunity for electric vehicles in India by 2030. This will necessitate a US$ 180 billion investment in vehicle manufacturing and charging infrastructure.

According to NITI Aayog and the Rocky Mountain Institute (RMI), India's EV finance industry is likely to reach US$ 50 billion (Rs. 3.7 lakh crore) by 2030.

A report by the India Energy Storage Alliance estimated that the EV market in India is likely to increase at a CAGR of 36% until 2026. In addition, the projection for the EV battery market is expected to expand at a CAGR of 30% during the same period.

Indian automotive industry is targeting to increase the export of vehicles by five times during 2016-26. In FY23, total automobile exports from India stood at 47,61,487. Indian automobile exports of two-wheelers stood at 36,52,122 in FY23.

*Source: https://www.ibef.org/industry/india-automobiles*

# 11. *Future Scope of the India Tyre Market*

The Indian tyre market is poised for steady growth, driven by increasing demand across various sectors, technological advancements, and government initiatives. Key factors shaping the future of the industry include:

**1. Market Growth Projections**

- The Indian tyre industry is expected to grow at a **CAGR of 6-8%** over the next five years.
- Demand will be primarily fueled by the **automotive sector**, with increasing vehicle sales, infrastructure development, and rising exports.

**2. Key Growth Drivers**

**A. Rising Vehicle Sales and Replacement Demand**

- Growth in **passenger and commercial vehicle sales** will boost demand for original equipment manufacturer (OEM) tyres.
- The **replacement tyre market** (which accounts for nearly 70% of the industry) will continue to expand due to higher vehicle ownership and road infrastructure improvements.

**B. Expansion of Electric Vehicles (EVs)**

- The shift towards EVs will drive demand for **specialized tyres** with lower rolling resistance and higher durability.
- Tyre manufacturers are investing in **new EV-compatible tyre technologies**, such as low-noise and energy-efficient designs.

**C. Infrastructure and Industrial Growth**

- Increased spending on highways, roads, and construction projects will enhance demand for **Off-The-Road (OTR) tyres** and **commercial vehicle tyres**.
- Growth in the **mining, agriculture, and logistics sectors** will further boost sales.

### D. Export Potential and Global Demand

- India is emerging as a key **tyre manufacturing hub** for global markets, with rising exports to **North America, Europe, and Africa**.
- Government policies supporting **rubber plantations and tyre exports** will enhance competitiveness in international markets.

## 3. Technological Innovations in Tyre Manufacturing

- Adoption of **smart tyres** with real-time monitoring for pressure, temperature, and tread wear.
- Use of **sustainable and eco-friendly materials** like bio-based rubber and recycled components.
- Advanced **radial tyre technology** for better fuel efficiency and longevity.

## 4. Challenges and Future Considerations

- **Raw Material Costs:** Fluctuations in natural rubber and crude oil prices may impact profitability.
- **Import Restrictions:** Dependence on imported rubber and synthetic materials may pose supply chain risks.
- **Environmental Regulations:** Stricter policies on waste management and emissions could drive innovation in sustainable tyre production.

## Conclusion

The Indian tyre market has a strong growth outlook, supported by rising vehicle sales, infrastructure development, technological advancements, and export expansion. While challenges exist, investments in R&D, sustainability, and innovation will shape the industry's long-term success.

# 12. Challenges and Opportunities

**Challenges in the India Tyre Market**

Despite the positive growth outlook, the India tyre market faces several challenges that could impact its trajectory.

- **Volatility in Raw Material Prices:** The tyre industry is heavily dependent on raw materials such as natural rubber, synthetic rubber, and petroleum-based products. Fluctuations in the prices of these raw materials can significantly impact production costs and profitability for tyre manufacturers. The volatility in global commodity markets, coupled with supply chain disruptions, poses a challenge for the industry.
- **Environmental Concerns:** The tyre manufacturing process is resource-intensive and generates significant waste, including carbon emissions and non-biodegradable waste. With increasing awareness of environmental issues, tyre manufacturers are under pressure to adopt sustainable practices, reduce their carbon footprint, and comply with stringent environmental regulations. The shift towards sustainable manufacturing practices may require significant investments in technology and infrastructure.
- **Competition from Imported Tyres:** The India tyre market faces competition from imported tyres, particularly from countries like China and Thailand. These imported tyres are often priced lower than domestically produced tyres, posing a challenge for local manufacturers. The government's imposition of anti-dumping duties and other trade measures has provided some relief, but competition from imports remains a concern.
- **Technological Disruptions:** The rapid pace of technological advancements in the automotive industry, such as the development of electric vehicles (EVs) and autonomous vehicles, presents both opportunities and challenges for the tyre market. Tyre manufacturers need to innovate and adapt to meet the specific requirements of these new vehicle technologies. The transition to EVs, in particular, may require the development of specialized tyres that offer low rolling resistance and can handle the increased weight and torque of electric vehicles.

- **Infrastructure and Logistics Challenges:** The distribution of tyres across India, particularly in remote and rural areas, can be challenging due to infrastructure constraints and logistical inefficiencies. Ensuring timely delivery of tyres to different parts of the country requires a well-developed supply chain and distribution network. Addressing these logistical challenges is crucial for the market's growth.

**Opportunities in the India Tyre Market**

While the challenges are significant, they also present opportunities for innovation and growth in the India tyre market. Addressing these challenges can unlock new avenues for market expansion.

- **Focus on Sustainable Tyre Manufacturing:** The growing emphasis on sustainability presents an opportunity for tyre manufacturers to differentiate themselves by adopting eco-friendly practices. This includes the development of tyres using sustainable materials, reducing waste during the manufacturing process, and implementing recycling initiatives. Manufacturers that prioritize sustainability can attract environmentally-conscious consumers and gain a competitive edge in the market.
- **Growth in the Electric Vehicle (EV) Segment:** The Indian government's push towards electric mobility presents significant growth opportunities for the tyre market. As the adoption of electric vehicles (EVs) increases, there will be a growing demand for specialized tyres that meet the unique requirements of EVs. Tyre manufacturers can capitalize on this trend by developing high-performance, energy-efficient tyres designed specifically for electric vehicles.
- **Expansion of Online Sales Channels:** The rise of e-commerce and online sales platforms presents an opportunity for tyre manufacturers to reach a broader customer base. The convenience of online shopping, coupled with the availability of a wide range of tyre products, has made online sales an increasingly popular option for consumers. Expanding online sales channels can help manufacturers tap into new markets and increase their reach.

- **Investment in Research and Development (R&D):** Continued investment in R&D is crucial for driving innovation in the tyre industry. By focusing on the development of advanced tyre technologies, such as run-flat tyres, puncture-resistant tyres, and smart tyres with embedded sensors, manufacturers can offer products that meet the evolving needs of consumers. R&D efforts can also help manufacturers improve tyre performance, durability, and safety.

- **Expansion into Rural and Semi-Urban Markets:** While urban areas continue to be the primary markets for tyres, there is significant growth potential in rural and semi-urban markets. As road infrastructure improves and vehicle ownership increases in these areas, the demand for tyres is expected to rise. Expanding distribution networks and targeting these emerging markets can drive further growth in the tyre industry.

# 13. *Government Initiatives*

**Sustainable & Inclusive Development of Natural Rubber Sector**

The government has announced plans to increase subsidies for rubber cultivation in a phased manner, aiming to support farmers in adopting modern practices and improving yield quality.

Some of the steps that have been taken are as follows:

• The financial assistance for the Rubber sector under this scheme has been increased by 23 per cent from ₹ 576.41 crore to ₹ 708.69 crore for the financial years (2024-25 and 2025-26).

• With an outlay of ₹ 43.50 crore, the rate of assistance for plantation has been increased to ₹ 40,000 per ha from the earlier ₹ 25,000 per ha.

• To support the rubber industry, planting of rubber will be undertaken in 12,000 ha in traditional areas during 2024-25 and 2025-26. Total 3752 ha will be brought under rubber cultivation in non-traditional (NT) regions with an outlay of ₹ 18.76 crore during the same period. Planting assistance at ₹ 2,00,000 per ha will be provided for SC growers in non-traditional regions.

• For productivity enhancement of rubber produced, support shall be provided for rain guarding in 67,000 Ha (60,000 in Traditional, 5000 in NT and 2000 in Northeast) area and plant protection (spraying) in 22,000 ha (20,000 in Traditional and 2000 in NT). An amount of ₹ 35.60 crore is envisaged to be provided for this in the period of 2024 to 2026.

• The scheme aims to empower rubber growers by forming 250 new Rubber Producers Societies (RPS) over the period of 2024 to 2026, with increased assistance of ₹ 5000. This will support activities like farmer education, seminars, capacity building, and exposure visits. Additionally, 1450 farmer clusters will be formed in NT and Northeastern regions. Assistance of up to ₹ 40,000 per RPS will be provided for latex collection and DRC testing equipment to 55 RPSs. Support up to ₹ 30,000 per RPS will be provided to 180 RPSs.

• To ensure quality and standardization of rubber sheets, the setting up of Group Processing Centers (GPC) is being promoted. The construction of 18 GPCs will be supported in the Northeast and NT regions. Whereas construction of 10 GPCs will be supported in the traditional region. Assistance will be provided to 77 GPCs (50 in traditional area, 2 in NT areas and 25 in Northeast).

• To fund rubber research, an outlay of ₹ 29 crore has been provided for the period of 2024 to 2026.

• An amount of ₹ 8.91 crore has been provided for overall digitization of Rubber Board.

• Establishment of three nodal centers of National Institute of Rubber training (NIRT) in NE region Agartala, Guwahati and Nagaland have been proposed with an outlay of ₹ 5.25 crore in the period of 2024 to 2026, primarily to promote MSMEs in this region by imparting training in product manufacture and quality control.

**The Indian government has implemented several initiatives to bolster the tyre industry, focusing on quality enhancement, domestic manufacturing, sustainability, and technological advancement:**

**1. Quality Control Measures:**

To prevent the influx of substandard tyres and promote high-quality domestic production, the Department for Promotion of Industry and Internal Trade (DPIIT) issued the Quality Control Order (QCO) in 2009, which was enforced in 2011. This mandate ensures that both domestic and imported tyres meet specified quality standards, safeguarding consumer interests and maintaining industry integrity.

**2. Promotion of Domestic Manufacturing:**

In line with the 'Make in India' initiative, the government has introduced policies to encourage global tyre manufacturers to establish production facilities within the country. Notably, companies like Michelin, Bridgestone, and Goodyear have committed investments totaling approximately ₹3,000 crore under schemes that link import permissions to local manufacturing commitments. This strategy aims to reduce dependency on imports, enhance local production capabilities, and generate employment opportunities.

### 3. Sustainability Initiatives:

Addressing environmental concerns, India has adopted Extended Producer Responsibility (EPR) schemes for tyres. Announced by the Ministry of Environment, Forests, and Climate Change, these regulations require tyre manufacturers to manage the entire lifecycle of their products, including end-of-life disposal and recycling. The goal is to achieve a 100% recovery rate of end-of-life tyres by 2025, aligning with global sustainability practices.

### 4. Financial Support for Sustainable Practices:

To promote sustainable manufacturing, financial institutions like the International Finance Corporation (IFC) have extended support to Indian tyre manufacturers. For instance, JK Tyre secured a $100 million Sustainability-Linked Loan (SLL) from the IFC to expand its production capacity for energy-efficient tyres. This funding not only aids in scaling operations but also emphasizes the industry's shift towards environmentally friendly practices.

### 5. Infrastructure Development and Technological Advancement:

Government policies promoting automotive industry growth and infrastructure development are facilitating the rise in radial tyre adoption. The shift towards radial tyres is also supported by advancements in tyre technology and increased consumer awareness. As more information becomes available about the benefits of radial tyres, such as their contribution to enhanced safety and lower operational costs, consumers are increasingly opting for them.

**Union Budget 2025**

The Union Budget 2025-26 allocated ₹1,565 crore to the Plantation Commodity Boards, marking a significant increase from the revised estimate of ₹1,228 crore for FY25. However, within this broader allocation, the Rubber Board's budget was set at ₹ 360.31 crore, reflecting only a 3.4 per cent rise from the previous year's revised allocation of ₹ 348.38 crore. This modest increase indicates that while the government continues to support the rubber industry, the focus may not be on aggressive expansion but rather on sustaining existing initiatives.

The limited growth in funding for the Rubber Board suggests that major new schemes for rubber cultivation, processing, or market development may not be introduced this year. Instead, the Board will likely need to optimize its existing resources to enhance productivity and support small-scale growers. This could mean continued but constrained efforts in areas such as farmer training, digital initiatives, and research on sustainable rubber production.

A substantial increase in the overall budget for Plantation Commodity Boards signals the government's broader commitment to plantation-based industries. This could indicate greater support for tea, coffee, and spices, potentially leaving rubber with a smaller share of benefits. For rubber cultivators and manufacturers, the implications of this budget may include stable but not significantly expanded government support.

**National Rubber Policy**

Introduced in March 2019, the National Rubber Policy encompasses various provisions to support the NR production sector and the entire rubber industry value chain. It addresses areas such as new planting and replanting, support for growers, processing and marketing of natural rubber, labor shortages, grower forums, external trade, research, training, rubber product manufacturing and export, and climate change concerns.

Finally, it is important to mention that there is no specific Production-Linked Incentive (PLI) scheme dedicated exclusively to the rubber industry. However, the government's focus on enhancing manufacturing capabilities and exports through various PLI schemes in related sectors, such as automotive and textiles, indirectly benefits the rubber industry by increasing demand for rubber products.

*Source:* *https://www.infomerics.com/admin/uploads/rubber-industry2025*

## 14. *Top Five Tyres Companies*

India's tyre industry is dominated by several key players known for their quality and performance. Here are the top five tyre companies in India:

| Company | Headquarters | Overview |
|---|---|---|
| Listed Companies | | |
| **MRF Limited** | Chennai | Founded in 1946, MRF is India's largest tyre manufacturer, producing tyres for various vehicles, including heavy-duty trucks, buses, passenger cars, and motorcycles. Renowned for durability and high-performance products. |
| **Balkrishna Industries (BKT)** | Mumbai | Incorporated in 1987, BKT specializes in off-highway tyres for sectors like agriculture, construction, and mining, exporting to over 160 countries. |
| **Apollo Tyres** | Gurgaon | Incorporated in 1972, Apollo Tyres offers a wide range of tyres under brands like Apollo and Vredestein, catering to passenger and commercial vehicles |
| **JK Tyre & Industries** | New Delhi | Founded in 1918, JK Tyre offers a comprehensive range of tyres and has a strong global presence with manufacturing facilities in India and Mexico. |
| **CEAT Limited** | Mumbai | Incorporated in 1924, CEAT manufactures tyres for various vehicles, including motorcycles, cars, and trucks, focusing on sustainability and innovation. |

## India Listed Company's key financials for FY2023-24:-

| Company | Revenue (₹ Crores) | EBITDA (₹ Crores) | PAT (₹ Crores) | EBITDA Margin (%) | PAT Margin (%) | Face Value (₹) | EPS – Basic (₹) |
|---|---|---|---|---|---|---|---|
| **MRF Ltd** | 25,486 | 4,275 | 2,081 | 16.8 | 8.2 | 10.00 | 4907.24 |
| **Apollo Tyres Ltd** | 25,377 | 4,470 | 1,721 | 17.6 | 6.8 | 1.00 | 27.11 |
| **JK Tyre & Industries Ltd** | 15,001 | 2,122 | 806 | 14.1 | 5.4 | 2.00 | 30.16 |
| **CEAT Ltd** | 11,943 | 1,652 | 635 | 13.8 | 5.3 | 10.00 | 158.87 |
| **Balkrishna Industries Ltd (BKT)** | 9,368 | 2,704 | 1,471 | 28.9 | 15.7 | 2.00 | 76.12 |

*Source: https://www.bseindia.com/*

The top five tire companies outside India, based on global market share and reputation, are:

| Company Name | Country | Overview | Specialization | Stock Exchange & Ticker |
|---|---|---|---|---|
| **Compagnie Generale des Etablissements Michelin (Michelin)** | France | Founded in 1889, Michelin is one of the oldest and most innovative tire manufacturers. It pioneered radial tire technology and is known for high durability, fuel efficiency, and sustainability initiatives. | Passenger cars, trucks, motorcycles, bicycles, aircraft, and motorsports (Le Mans, MotoGP). | Euronext Paris (ML) |
| **Bridgestone Corporation** | Japan | Established in 1931, Bridgestone is the world's largest tire company. It acquired Firestone in 1988, expanding its presence in North America and globally. The company focuses | Passenger vehicles, commercial trucks, buses, construction, and motorsports (Formula 1, IndyCar). | Tokyo Stock Exchange (5108.T) |

| | | | | |
|---|---|---|---|---|
| | | on eco-friendly, high-performance, and smart tire technology. | | |
| **The Goodyear Tire & Rubber Company** | USA | Founded in 1898, Goodyear is a pioneer in tire technology and durability. It supplies tires for various industries, including aviation and motorsports, and has strong partnerships with automakers. | Passenger cars, commercial trucks, aviation, off-road vehicles, and motorsports (NASCAR). | NASDAQ (GT) |
| **Continental AG** | Germany | Established in 1871, Continental is a leader in tire technology, automotive safety, and braking systems. It specializes in premium and fuel-efficient tires and has a strong focus on sustainability and electric vehicle solutions. | Passenger cars, trucks, industrial vehicles, and specialty tires for EVs and autonomous vehicles. | Frankfurt Stock Exchange (CON.DE) |
| **Pirelli & C. S.p.A.** | Italy | Founded in 1872, Pirelli is synonymous with high-performance and luxury tires. It is the exclusive tire supplier for Formula 1 and has a strong focus on innovation, premium car tires, and motorsports. | High-performance, luxury, and sports car tires (Formula 1, supercars, and premium vehicles). | Borsa Italiana (PIRC.MI) |

**Emerging SME:**

In India, several tyre companies are listed on the SME (Small and Medium Enterprises) platforms of stock exchanges. Here are some notable companies:

| Company Name | Description |
|---|---|
| **Emerald Tyre Manufacturers Ltd** | Established in 2002, Emerald Tyre specializes in manufacturing, supplying, and servicing a wide range of tyres under the brand name "GRECKSTER." Their product range includes solid resilient tyres, press bands, industrial pneumatic tyres, butyl tubes, flaps, and wheel rims. The company made a strong debut on the NSE SME platform in December 2024, opening at ₹180.50, a 90% premium over its issue price. |
| **Dolfin Rubbers Ltd** | Dolfin Rubbers is engaged in the manufacturing of various types of tyres and tubes. Their stock was recently valued at ₹202.30. |
| **Viaz Tyres Ltd** | Viaz Tyres specializes in the production of diverse tyre products. Their stock price was noted at ₹63.00. |

These companies contribute to the diverse landscape of the tyre manufacturing industry in India, catering to various market segments and customer needs.

# 15. Way Forward

In anticipation of the 2025 Union Budget, the automotive, rubber, and textile industries had specific expectations to bolster growth and address sector-specific challenges. The automotive sector, for instance, hoped for incentives to promote electric vehicle (EV) adoption, reduction in Goods and Services Tax (GST) rates for automobiles, and increased allocation for infrastructure development to support the auto industry.

The rubber industry sought measures such as a reduction in import duties on raw materials, support for domestic rubber cultivation, and incentives for technological advancements in rubber manufacturing. The textile industry anticipated enhanced support through increased budget allocations, continuation of export incentives, reduction in import duties on essential raw materials, and policies to boost competitiveness in the global market. Additionally, the formation of new Rubber Producers Societies (RPS) and farmer clusters should be leveraged to improve price realization and market access. Continuous engagement with policymakers to ensure the timely implementation of announced measures will further strengthen the sector's growth trajectory.

The Budget evoked mixed reactions across these sectors. The automotive industry witnessed positive developments, with stocks of major automakers like Bajaj Auto, Hero MotoCorp, and Maruti Suzuki experiencing gains. This uptick was attributed to increased disposable income resulting from raised income tax thresholds, which was expected to boost consumer spending on automobiles.

**Best Regards,**

Uday TG

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