

Tyre Exports at a Crossroads: U.S. Tariffs Pose Headwinds for India

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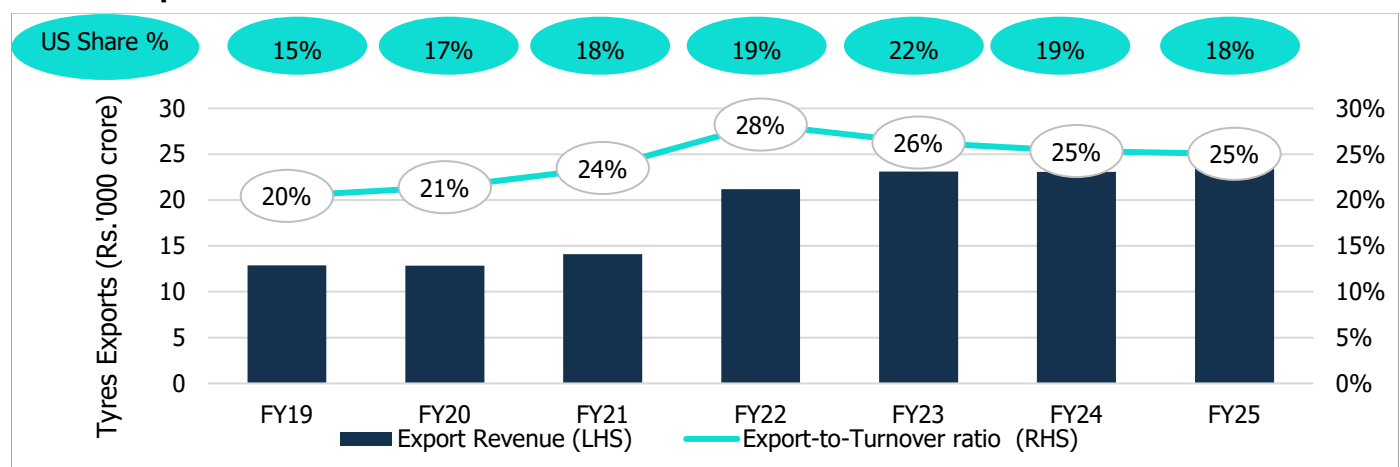
Synopsis

- India's tyre industry has developed a robust export base, with overseas shipments of nearly Rs 25,000 crore in FY25, equivalent to about a quarter of the sector's revenue, spanning more than 170 countries. The U.S. is the largest export destination, accounting for approximately 18% of India's total exports.
- On August 27, 2025, the U.S. administration doubled tariffs on Indian tyre imports, raising duties to 50% on most categories and 25% on specified categories. This comes just as Indian tyre manufacturers were making steady inroads into the US replacement market for trucks, buses, and off-highway tyres. The US accounts for ~18% of India's overall tyre exports from India, and the US tariff hike on Indian exports places the tyre industry at a competitive disadvantage. Unlike India, several Asian peers such as Japan, Vietnam, and Indonesia face lower duty access, thus eroding India's relative cost competitiveness in a key export market. The steep hike has the potential to derail the growth momentum, creating a challenge that could reshape the country's export outlook and competitive standing.
- CareEdge Ratings believes that in the near term, tyre manufacturers with a high export exposure to the U.S. will feel the sharpest impact of the new tariffs. To remain competitive, players will need to balance market diversification with cost optimisation, supported by timely policy interventions. Over the longer term, the industry's resilience will rest on lowering raw material dependence and accelerating expansion into non-U.S. markets.

US Tariff Headwinds : The Resilience of India's Tyre Export

India's tyre exports have more than doubled over the past eight years, rising from about Rs 10,400 crore in FY18 to ~Rs 25,000 crore in FY25. Growth has been especially strong post FY21, with a sharp jump in FY22 and steady momentum thereafter, underscoring the industry's expanding global footprint.

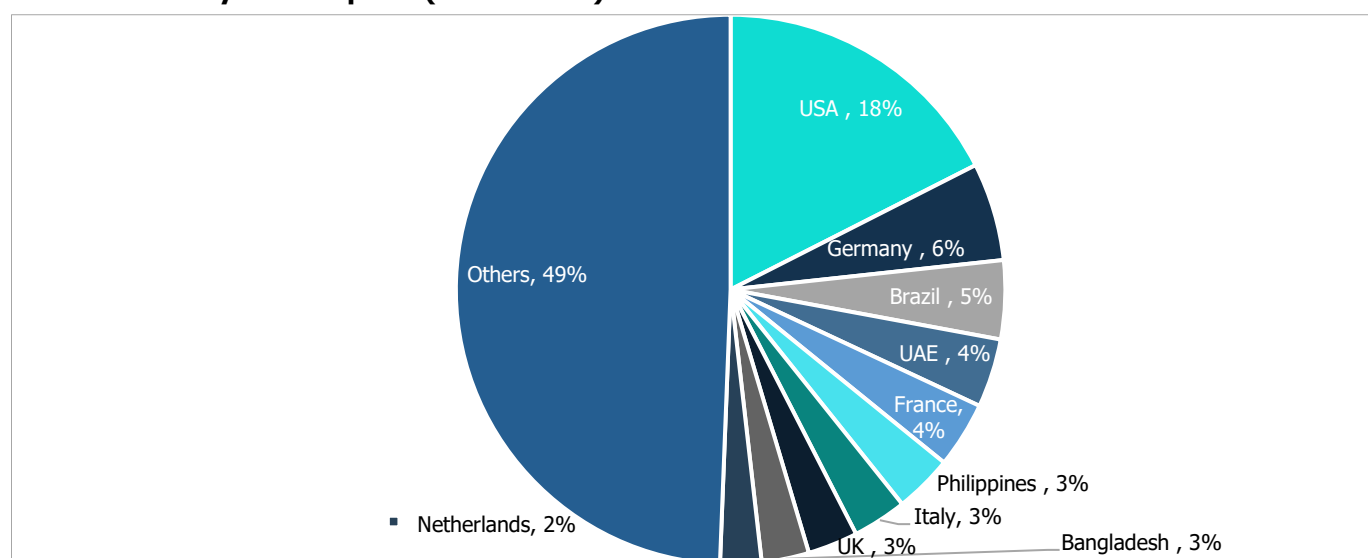
Chart 1: Export Trends



Source: CareEdge, CMIE, ATMA

The US has consistently been the largest single market, with exports climbing from Rs 1,400 crore in FY18 to about Rs 4,300 crore in FY25. Its share in India's tyre export basket has risen from 13% to 18% over this period. This trend underscores both the growing global competitiveness of Indian tyre manufacturers and their increasing reliance on the US market. With new tariffs now in place, the sector stands at a crossroads, forced to balance diversification into other geographies.

Chart 2: Country-wise Exports (Value share) from India for FY25



Source: CareEdge, CMIE

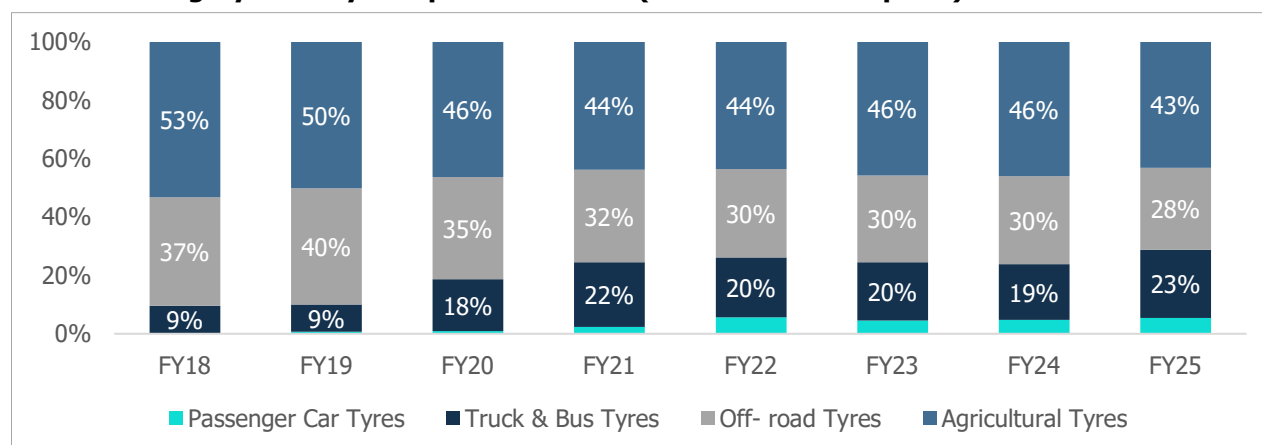
On August 27, 2025, the US administration increased tariffs on Indian tyre imports from 25% to as high as 50% across several categories. This escalation comes at a time when Indian manufacturers were consolidating their presence in the US market, particularly in the truck, bus, and off-road tyre segments.

Competing economies, such as China, Thailand, Vietnam, Cambodia, and Indonesia, still benefit from significantly lower tariff barriers, which puts India at a clear strategic disadvantage. Consequently, the U.S. tariff increase has become a significant obstacle, potentially altering export paths and affecting global market competitiveness.

Category-Wise Exposure: Who Faces the Pinch?

Agricultural and off-road tyres have traditionally been the majority of U.S.-bound exports, making up nearly 75% of shipments until FY21. However, truck and bus tyres have steadily gained share from just 9% in FY18 to 23% in FY25, reflecting India's growing traction in the US replacement market. Passenger car tyres, though still a small share, have also seen a gradual uptick.

With the latest tariff hikes, tyre makers with a higher exposure to truck, bus, and off-road categories in the US are likely to feel the sharpest impact. These segments have been key drivers of India's export growth to the US, and any slowdown here could materially affect overall volumes and profitability for the respective players. The need to rebalance export geographies, rationalise costs, and absorb higher tariffs will weigh on financial performance in the near term. Companies with a more diversified export footprint or a stronger domestic market base are expected to remain better positioned.

Chart 3: Category-wise Tyre Exports to the US (Share in Value Exports)

Source: CareEdge, CMIE

CareEdge Ratings' View

India's tyre exports have reached an inflexion point. While the sector has built strong global scale and competitiveness, the recent escalation of US tariffs poses a significant headwind. The near-to-medium term period will therefore be critical for strategic realignment, cost optimisation, and securing policy-backed advantages. Rising trade tensions and the risk of aggressive pricing or dumping by Chinese producers could further reshape the competitive landscape for Indian tyre manufacturers.

"The Indian tyre industry, already challenged by elevated input costs and raw material shortages, now faces added strain from steep U.S. tariffs. Despite investments of over Rs 20,000 crore in the past 4-5 years to expand capacity for catering to domestic demand and boost exports, growth momentum risks being derailed. Timely policy interventions such as strengthening export incentives, enabling enhanced R&D support, and advancing manufacturing capabilities are critical to safeguard India's global market position and ensure long-term competitiveness," said Sahil Goyal, Assistant Director CareEdge Ratings.

"With the latest tariff hikes, tyre makers with a higher exposure to truck, bus, and off-road categories in the US are likely to feel the sharpest impact. These segments have been key drivers of India's export growth to the US, and any slowdown here could materially affect overall volumes and profitability for the respective players," said Ravleen Sethi, Director CareEdge Ratings.

"However, with US tariffs on Indian tyres now at 50% for most categories, while competing nations such as Thailand, Vietnam, and Indonesia continue to face far lower duties, the industry stands at a critical crossroads. Sustaining export momentum will hinge on timely policy support, cost competitiveness, and deeper penetration into non-US markets," she added.

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