

Sector Study | Tyres

Oct19

The Pakistan Credit Rating Agency Limited

World demand for tyres is projected to rise 4.1 percent per year to 3.0 billion units in CY19.

Due to improvement in tyre quality over recent decade with advancement in technology, the replacement market is expected to remain under pressure.

Replacement cycle for commercial vehicles is around 12 months and passenger cars and two vehicles is 3-4 years

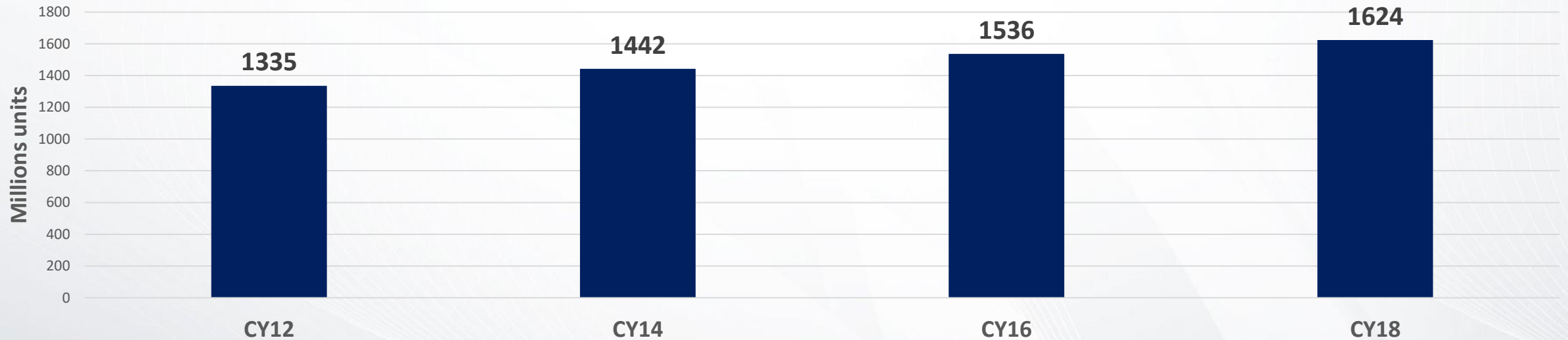


Growth is primarily expected to be driven by OEMs on the back of higher auto sales emanating from Asia-Pacific region.

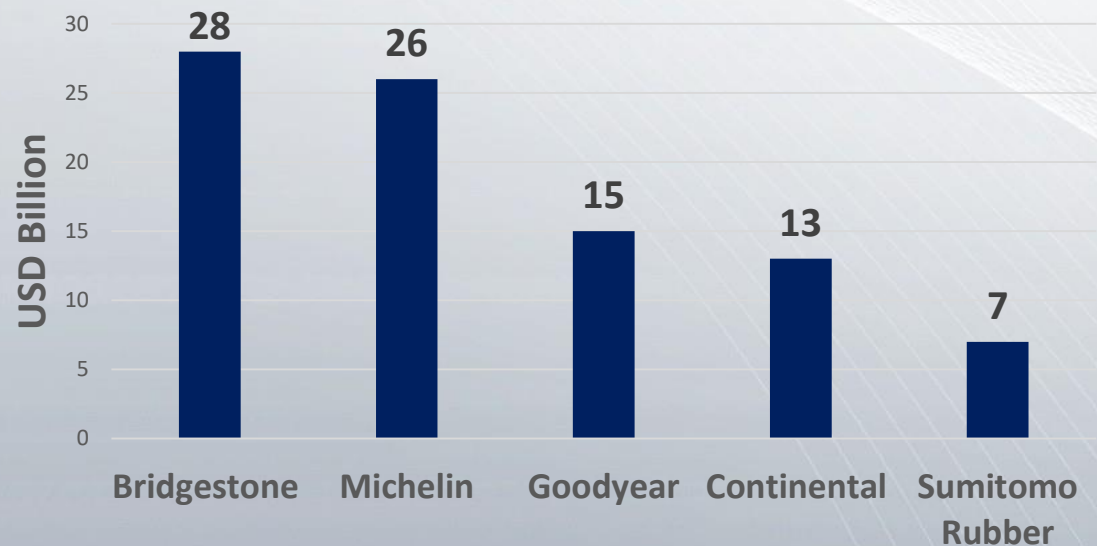
Asia-Pacific region accounts for 38% of the global market share, whereas, it also manufactures 60% of global supply due to low labor costs and favorable government policies.

The global market is dominated by flagship brands like Bridgestone, GoodYear, Michelin, Yokohama, Continental and Pirelli.

Global demand of tyres (Motor Cars and LCV)



Topline of major 5 manufactures



Global top 5 manufacturers

Manufacturers	Country of Origin
Bridgestone	Japan
Michelin	France
Goodyear	USA
Continental	Germany
Sumitomo Rubber	Japan

Major importing countries of the world

USD '000'

Ranking	Importers	CY14	CY15	CY16	CY17	CY18	YoY	CAGR
	World	85,366,698	74,881,098	71,840,772	77,314,668	82,292,729	6.4%	-0.9%
1	United States of America	15,103,272	14,736,999	13,722,287	14,150,864	15,269,988	7.9%	0.3%
2	Germany	7,642,258	6,322,584	6,552,622	6,814,302	7,265,694	6.6%	-1.3%
3	France	4,011,091	3,393,404	3,181,515	3,482,404	3,871,642	11.2%	-0.9%
4	Mexico	3,382,682	3,234,729	2,861,767	3,132,175	3,281,895	4.8%	-0.8%
5	Canada	3,307,176	3,114,571	2,858,467	3,055,971	3,183,327	4.2%	-0.9%
6	United Kingdom	3,082,269	2,534,969	2,383,038	2,749,133	2,945,113	7.1%	-1.1%
7	Netherlands	2,681,017	2,394,834	2,428,257	2,600,573	2,674,001	2.8%	-0.1%
8	Italy	2,503,277	2,116,408	1,989,297	2,156,657	2,418,558	12.1%	-0.9%
9	Australia	2,228,219	1,836,690	1,821,600	1,954,487	2,144,431	9.7%	-1.0%
10	Belgium	2,073,188	1,630,622	1,721,376	1,783,400	1,888,530	5.9%	-2.3%
22	China	934,631	720,810	706,099	815,110	847,487	4.0%	-2.4%
38	India	416,805	474,458	521,362	456,961	447,449	-2.1%	1.8%
49	Iran	561,343	350,033	364,112	427,780	319,413	-25.3%	-13.1%
61	Pakistan	232,783	289,866	327,631	351,175	203,896	-41.9%	-11.1%
75	Bangladesh		166,139	151,501	142,034	140,393	-1.2%	-5.5%

Major exporting countries of the world

		USD '000'					YoY	CAGR
Ranking	Exporters	CY14	CY15	CY16	CY17	CY18		
	World	83,799,763	72,678,624	70,338,644	76,018,450	80,809,676	6.3%	-0.9%
1	China	16,446,634	13,842,691	12,893,129	14,162,306	15,112,290	6.7%	-2.1%
2	Germany	6,295,369	5,420,488	5,490,394	5,890,152	6,016,233	2.1%	-1.1%
3	Japan	6,496,494	5,387,441	4,784,154	4,849,729	5,096,502	5.1%	-5.9%
4	United States of America	5,622,782	5,096,080	4,471,379	4,656,767	5,088,889	9.3%	-2.5%
5	Thailand	3,505,808	3,401,750	3,557,764	4,391,321	4,901,311	11.6%	8.7%
6	Korea, Republic of	4,002,360	3,372,036	3,413,127	3,437,703	3,474,419	1.1%	-3.5%
7	France	3,353,897	2,859,641	2,499,570	2,556,945	2,766,603	8.2%	-4.7%
8	Spain	2,615,376	2,092,032	2,047,676	2,217,025	2,499,762	12.8%	-1.1%
9	Poland	2,390,222	2,014,254	1,973,581	2,139,450	2,393,481	11.9%	0.0%
10	Netherlands	2,509,184	2,176,763	2,319,594	2,374,211	2,296,513	-3.3%	-2.2%
13	India	1,647,051	1,355,829	1,394,793	1,650,420	1,821,338	10.4%	2.5%
60	Iran	30,482	32,810	24,831	30,510	29,080	-4.7%	-1.2%
68	Pakistan	5,445	6,590	8,502	8,621	7,417	-14.0%	8.0%
96	Bangladesh	NA	1,208	1,498	1,444	686	-52.5%	-17.2%

FY19

Tyre Category	Output	Demand				Total	Supply			
		RM	%	OEM	%		Local	%	Imports (Direct/ Grey Channel)	%
Passenger Car	Units	3,100,000	73%	1,150,000	27%	4,250,000	1,190,000	28%	3,060,000	72%
Light Commercial	Units	4,200,000	94%	280,000	6%	4,480,000	362,000	8%	4,118,000	92%
Truck and Bus	Units	3,850,000	99%	55,000	1%	3,905,000	19,000	5%	376,000	10%
Tractor	Units	1,300,000	85%	230,000	15%	1,530,000	517,000	34%	1,013,000	66%
Truck and Bus (Radial)	Units	3,500,000	100%	10,000	0%	3,510,000	-	0%	3,510,000	100%
2 & 3 Wheeler	Units	14,000,000	72%	5,500,000	28%	19,500,000	20,000,000	100%	-	0%
Total	Units	29,950,000		7,225,000		37,175,000	22,088,000		12,077,000	

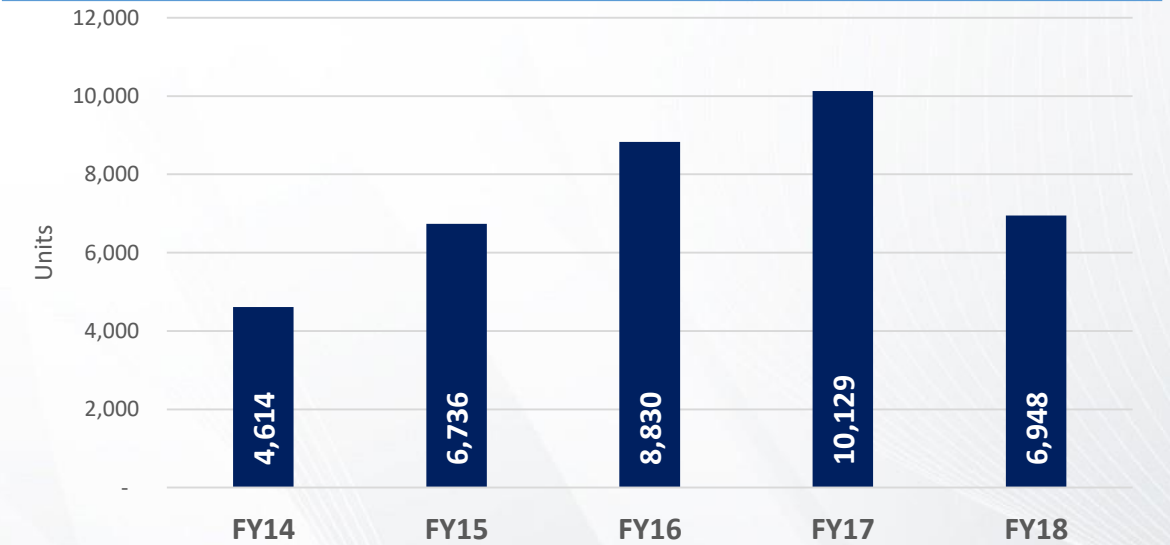
Installed Capacity of local major players

	General Tyres	Service Industries	Panther Tyres
Two and Three Wheelers			
Tyres	1,065,254	17,053,960	7,650,000
Tubes	3,600,000	19,595,000	22,350,000
Cars and LCVs			
Radial Tyres	1,607,881	-	-
Tractors and Others			
Tyres	601,539	-	279,000
Tubes	600,000	-	3,696,000

Production of Motor Cars



Production of Trucks and Buses



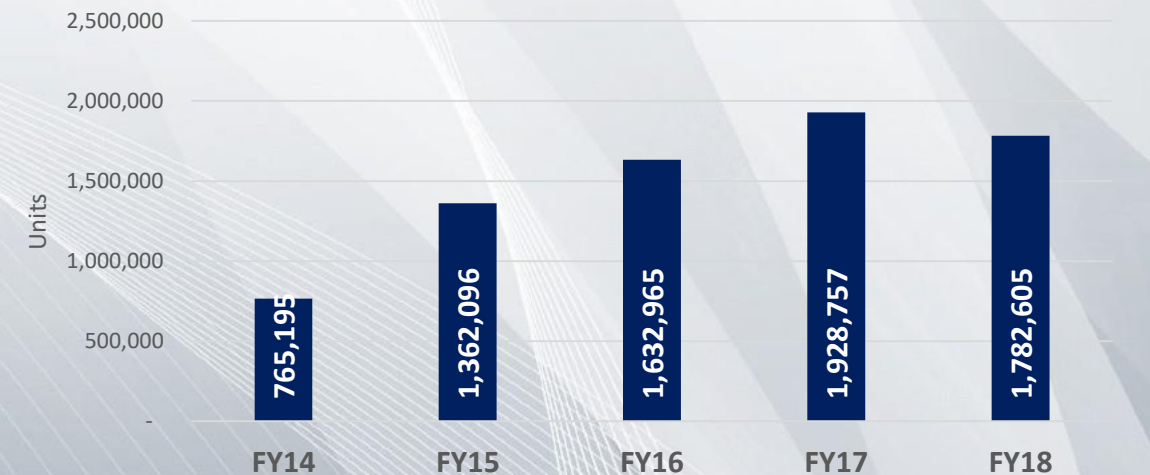
Production of Tractors

Tractors



Production of Motorcycles and Rickshaws

Motorcycles and Rickshaws





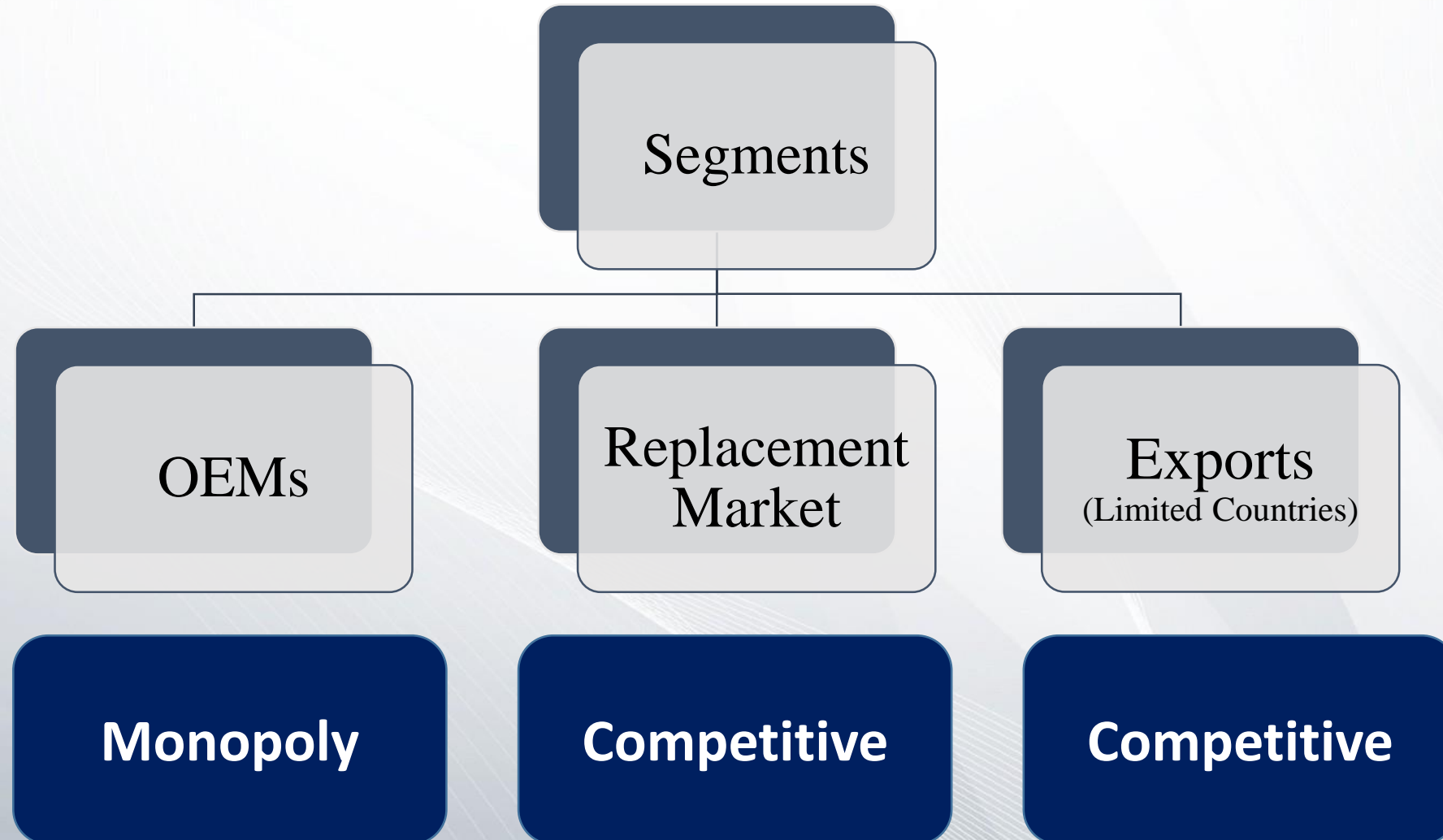
Radial Tyres

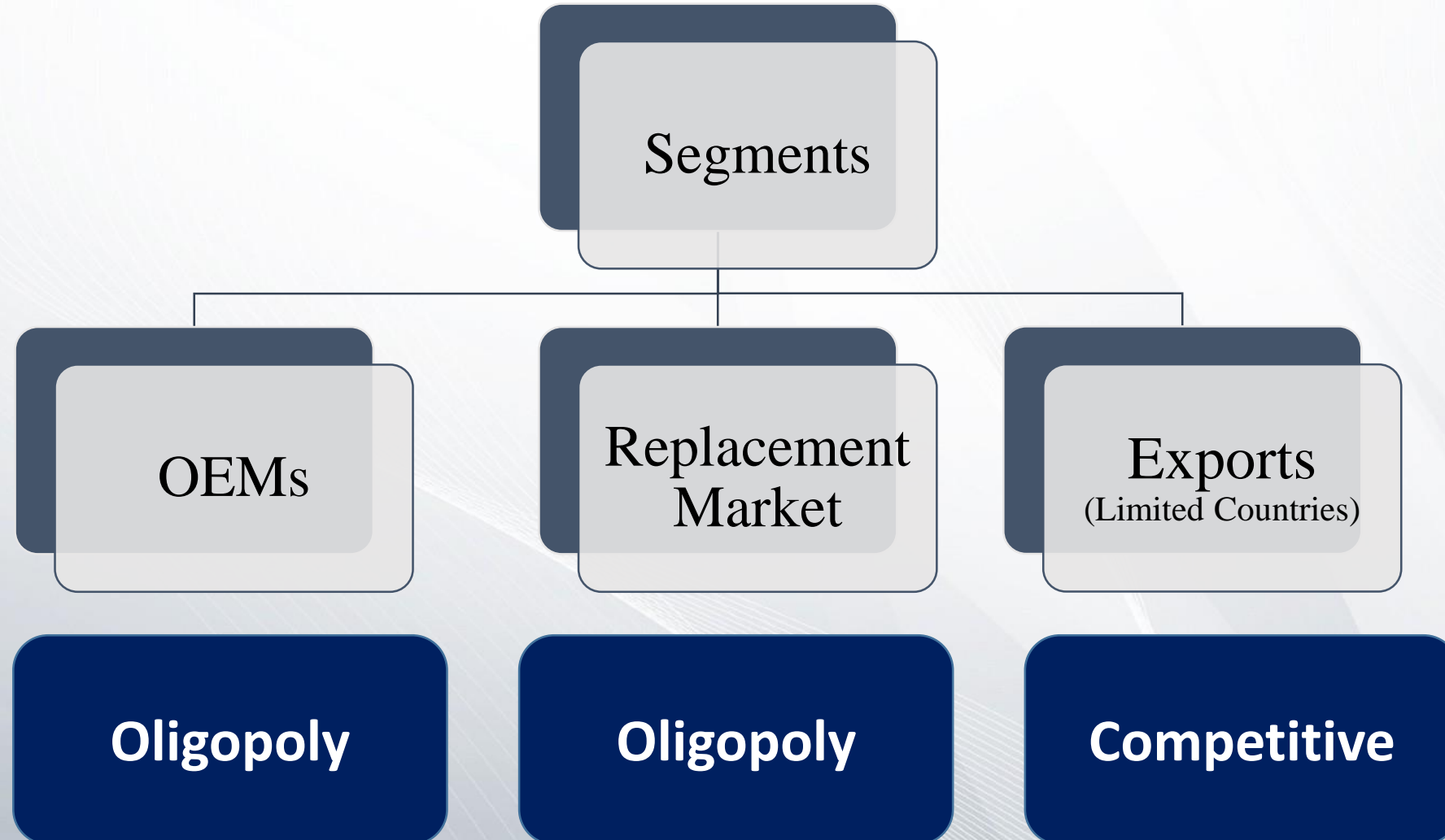
- These tyres vary in design from the bias
- Tyres as the cord plies are arranged at 90 degrees, or radially to the direction of travel.
- They have many advantages over bias
- Tyres which include:
 - reduced fuel consumption
 - smoother rides
- At present, General tyres is the only
- Manufacturer of radial tyres for CARS and
- LCVs in Pakistan.



Bias Tyres

- A bias tyre consists of multiple rubber
- plies overlapping each other
- In comparison to radial tyres, bias tyres
- are old technology that are majorly:
 - less flexible
 - more sensitive to heating





Duty structure in FY19

Category	Custom Duty	Additional	Sales Tax	Income Tax	Additional	RD
Passenger Cars	16%	4% - 17%	17%	5.5%	3%	10%
Light Truck	16%	4% - 17%	17%	5.5%	3%	10%
Truck and Buses	3%	4% - 17%	17%	5.5%	3%	15%
Farm	20%	4% - 17%	17%	5.5%	3%	0%

Duty structure in FY19

Category	Custom Duty	Additional	Sales Tax	Income Tax	Additional	RD
Passenger Cars	16%		17%	5.5%		20%
Light Truck	16%	1.0%	17%	5.5%		20%
Truck and Buses	3%	1.0%	17%	5.5%		35%
Farm	20%	1.0%	17%	5.5%		0%



RISK

Smuggled tyres continue to pose threat to local industry.

Volatility in synthetic rubber prices on the back of crude oil.

Increase in Policy rate by State Bank of Pakistan (SBP) has direct negative impact on demand of motor cars financing and hence Auto sales.

FBR rule, to restrict registration of new vehicle to non-active taxpayers is likely to add effect

OPPORTUNITIES

Improvement in infrastructure will drive growth in light commercial vehicles, trucks and buses segment

Agricultural growth along with government subsidies to the sector will continue to lead towards strong tractor demand.

Collaboration of International OEMs with local conglomerates for setup in Pakistan will increase the landscape of opportunities for tyre segment.

Bibliography

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