



Tyres

Research Team

Mohammad Abdul Rehman Khan | Supervising Senior
Muhammad Shahryar Butt | Associate Research Analyst

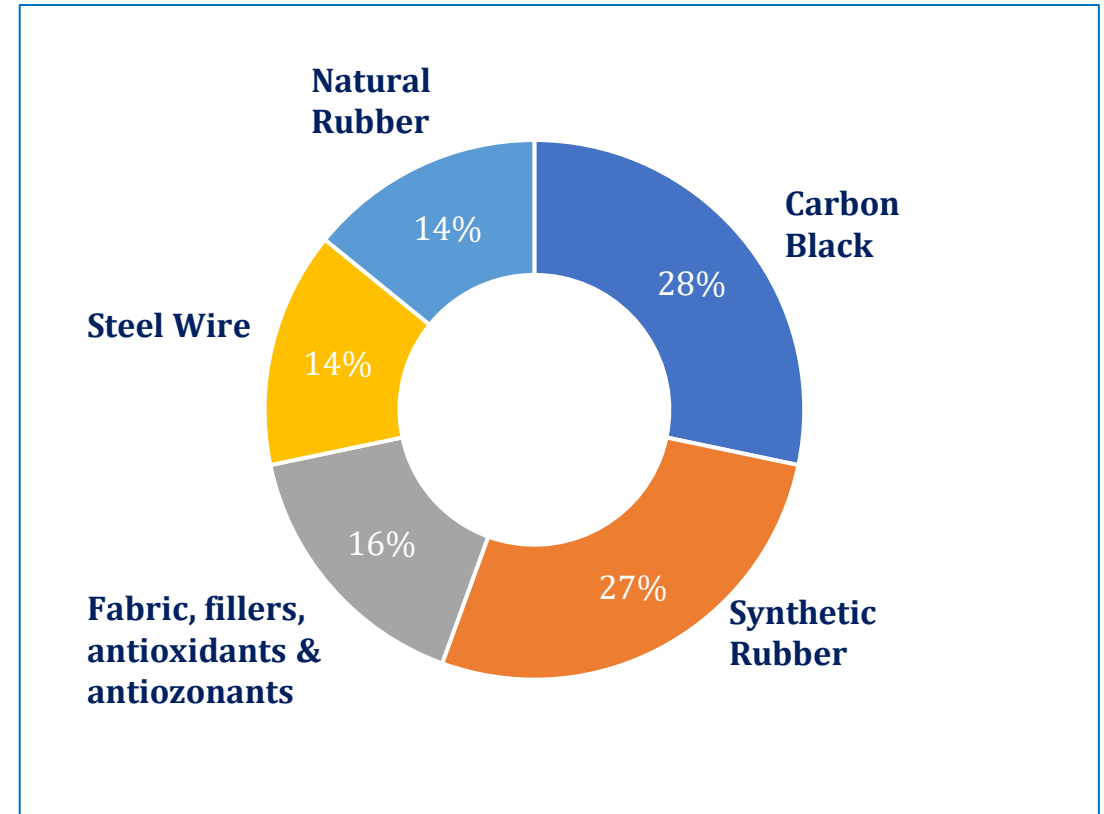


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Introduction | Composition of Tyres

- Tyres comprise various components, primarily Carbon Black, Natural Rubber, Synthetic Rubber, Steel Wire, Fabric Fillers, and Antioxidants.
- Among the components, Carbon Black has a significantly higher proportion (~28.0%), followed by rubber, which includes Synthetic Rubber (~27.0%) and Natural Rubber (~14.0%).
- Steel Wire and different fabrics, fillers, antioxidants, and antiozonants comprise ~14.0% and ~16.0% of Tyres, respectively.
- These components are essential for the Tyres's stability, durability, resilience, and flexibility.



Introduction | Market Segments

- There are several vehicle Types like cars, commercial vehicles, heavy machinery and others with different requirements and composition of Tyres.
- The demand for Tyres is primarily driven by Original Equipment Manufacturers (OEM) and replacement market.

By Design

- Radial Tyres
- Bias Tyres

By Region

- North America
- Asia Pacific
- Europe
- Latin America
- Middle East & Africa



By Demand

- Original Equipment Manufacturers (OEM)
- Replacement Market

By Vehicle Type

- Passenger Cars
- Light Commercial
- Medium & Heavy Commercial
- Two & Three Wheelers

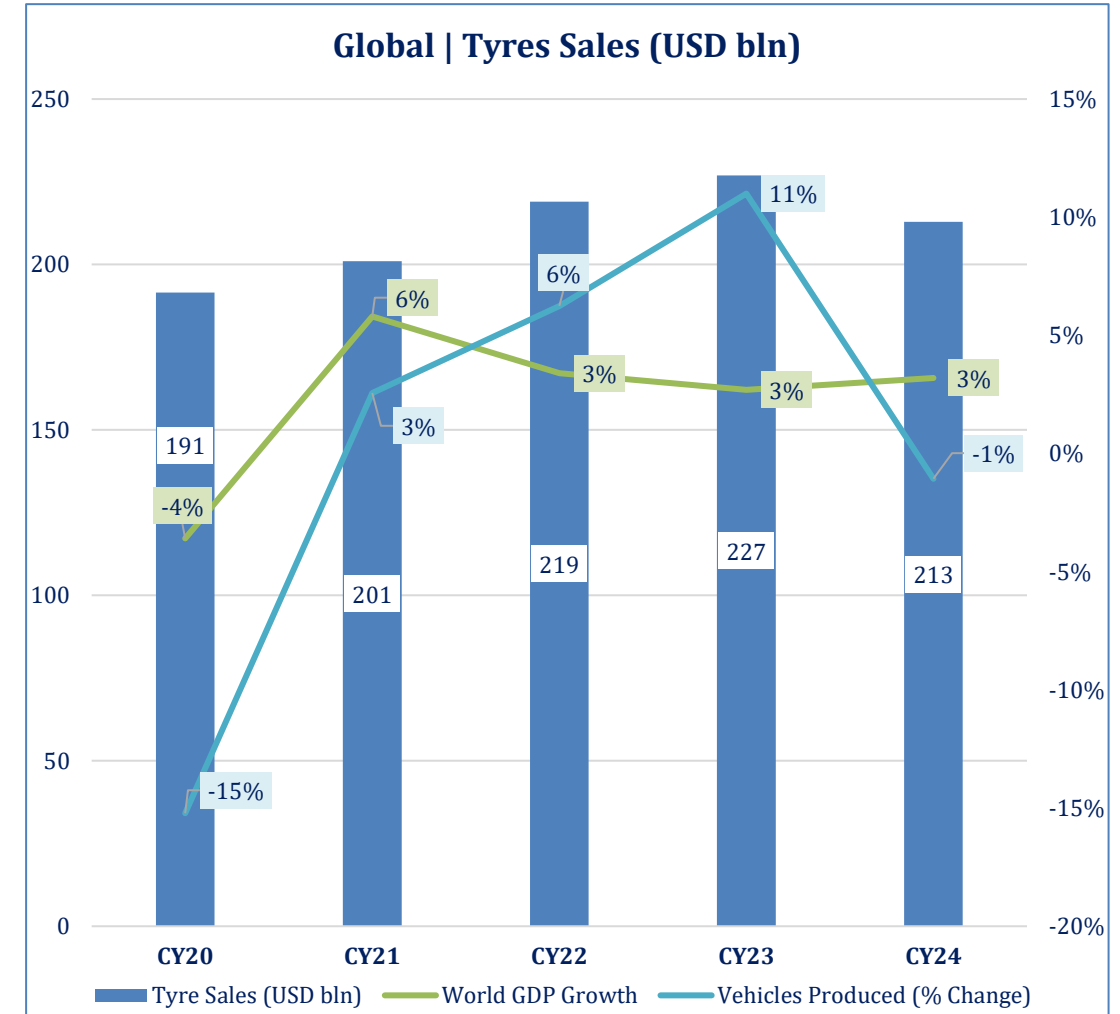
Global | Overview

- The global Tyres Sector revenue was recorded at USD~212.9bln in CY24 (CY23: USD ~226.9bln), down ~6.2%. However, the revenue is expected to grow to USD~250.4bln in CY29.
- In volumetric terms, the global Tyres Sector sales rose to ~3.8bln units in CY24 with a CAGR of ~4.0%.
- Advancements in technology drive the growth of the Tyres Sector, stricter environmental regulations promoting eco-friendly Tyres manufacturing, and economic development in emerging economies, which have resulted in higher vehicle ownership and increased demand for Tyres.
- The Asia-Pacific region leads the global Tyres Sector exports. China alone accounts for ~39.2% of the total market export share, which is driven by its expansive automobile sector. Japan contributes through its advanced technological innovations, while India's rapid growth further strengthens the region's dominance.
- In the USA and Canada, the mature Tyres Sector sees steady demand for replacement Tyres, with a growing focus on green technologies and specialized designs for electric and hybrid vehicles. In Africa, the focus is on the affordability and durability of Tyres.
- Global Tyres Sector sales are predominantly controlled by four major players: Michelin Group, Bridgestone Corporation, Goodyear Tire & Rubber Company, and Continental AG. In CY24, these companies had a collective market share of ~62.0% in terms of revenue.

Tyres

Global | Automobiles & Tyres Correlation

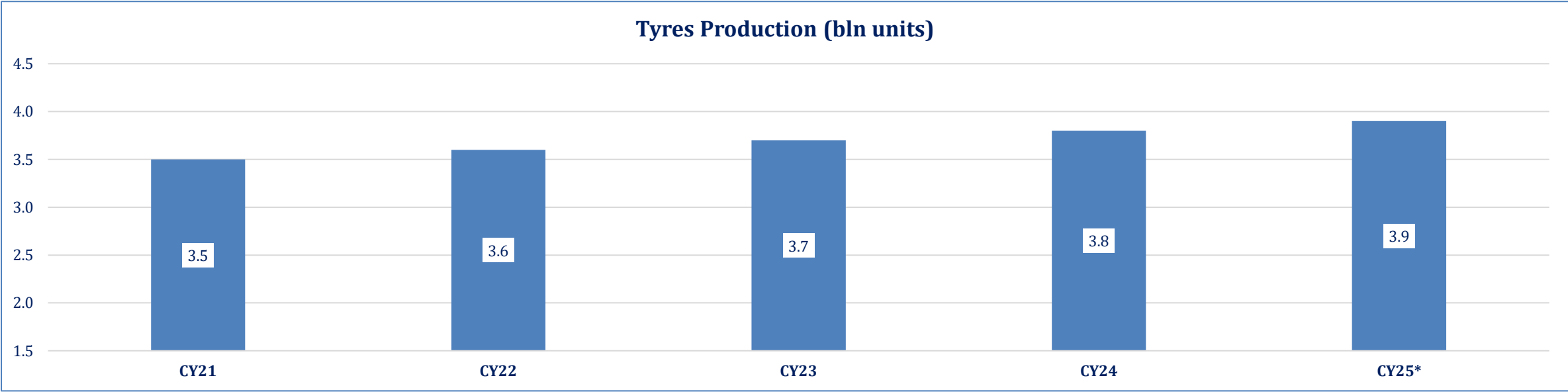
- The global Tyres Sector derives its demand from the global automobile sector. The global automobile manufacturing industry produced ~93.0mln units in CY24 (CY23:~94.0mln units), registering a decline of ~1.1% YoY.
- During CY24, global Tyres sales were recorded at USD~212.9bln, exhibiting a decrease of ~6.2% YoY (CY23: USD~227.0bln). This decrease in sales was mainly due to higher interest rates in major economies (U.S., U.K., EU), leading to slower consumer spending and weaker auto demand.
- However, advancements in sustainable Tyres, the emergence of green Tyres technology, and the growing adoption of electric vehicles (EVs) are expected to drive growth in the Tyres Sector. By CY30, EVs are projected to account for ~15-30% of total vehicle sales.
- Global economic growth remained steady at ~3.2% for CY24 however is forecasted to slow down to ~3.0% in CY25. China held ~39.2% of global Tyres exports during CY24, while the USA accounted for ~21.5% of the global imports.



Tyres

Global | Production

- In CY25, global production of Tyres is estimated to reach ~3.9bln units (CY24: ~3.8bln units), exhibiting a CAGR of ~4% during a 5-year period (CY21-25).
- The Asia-Pacific region holds the largest share of global Tyres production, with Japan and China playing key roles. India, as the third-largest producer and fourth-largest consumer of rubber, offers a significant growth potential in Tyres manufacturing, particularly in the commercial and two-wheeler segments.
- The automobile sector of the USA and Canada has a steady demand for replacement Tyres. In the Middle East, consumers have luxury and high-performance vehicle preferences, hence the demand for premium Tyres is high. Meanwhile, African regions mostly focus on affordability and the ability to withstand rough terrain.



Note: Tyres production is estimated using CAGR of ~4.0% during 5-year period (CY21-24)
*Projected

Global | Market Share

- In CY24, global Tyres sales were primarily dominated by Continental, Michelin, Bridgestone, Goodyear, and Pirelli. These companies have maintained their market dominance consistently over the past five years (CY20-CY24), collectively commanding the industry.
- In CY24, the global Tyres market saw a mix of growth and stagnation driven by several offsetting factors. Demand in key markets like Europe and North America was affected due to trade restrictions that weighed on sales volumes.
- However, easing raw material and energy costs helped sustain profitability, while strong performance in premium and replacement segments supported revenue stability. Price competition remained intense across regions, and producers relied heavily on product mix optimization and efficiency gains to protect margins in a year of largely flat global demand.

Global Tyres Sector by Revenue							
S.No	Top 10 players	Countries	CY20	CY21	CY22	CY23	CY24
USD (bln)							
1	Continental	Germany	43	40	41	45	44
2	Michelin	France	23	28	32	31	30
3	Bridgestone	Japan	28	29	27	30	30
4	Goodyear	USA	12	18	19	20	20
5	Sumitomo	Japan	7	8	8	8	8
6	Pirelli	Italy	5	6	7	7	8
7	Hankook	South Korea	6	6	7	7	7
8	Yokohama	Japan	4	6	6	7	7
9	ZC Rubber	China	4	5	5	5	6
10	Sailun	China	2	3	3	4	5
	Total		134	149	155	164	165

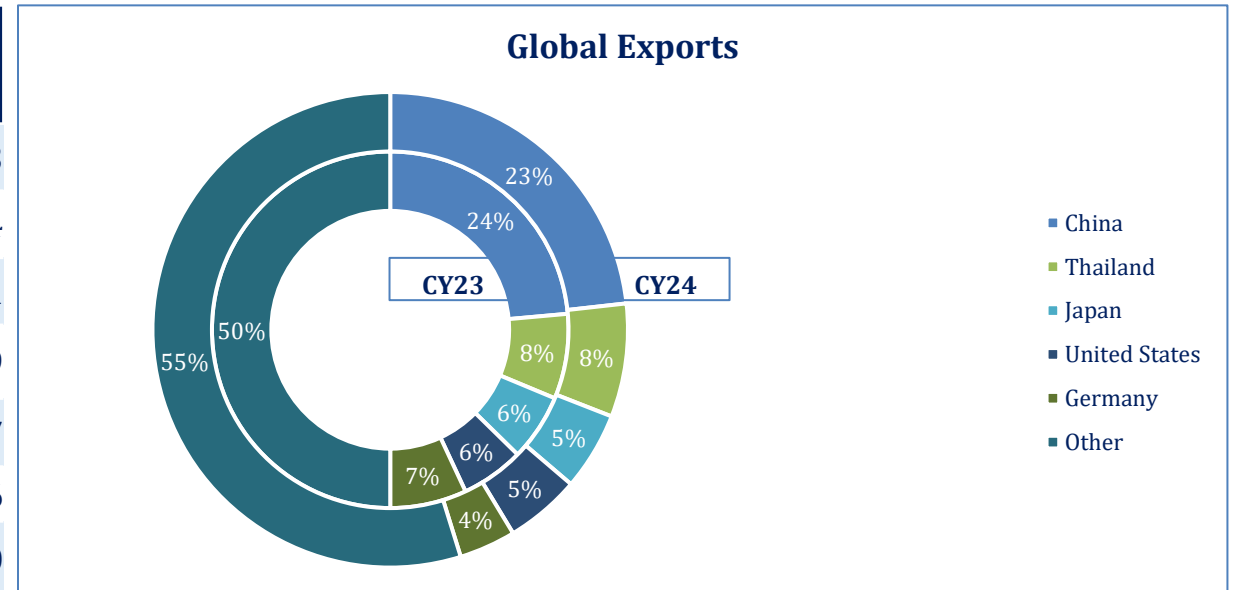
*Latest data available

Tyres

Global | Exports

- During CY24, total global Tyres exports reached USD ~96.0bln. China has continued to dominate the export market over the past five years (CY20-24). China's market share declined from ~24.0% in CY23 to ~23.0% in CY24, with Tyres exports valued at USD~22.3bln in CY24 (CY23: USD~21.4bln).
- Thailand ranked second, with exports worth USD~7.4bln in CY24 (CY23: USD~7.0bln), followed by Japan with Tyres exports valued at USD~5.1bln in CY24, down from USD~5.5bln in CY23.
- Regionally, Asia contributed ~34.8% of the world's total Tyres exports in CY24. In CY24, China's Tyres exports grew by ~4.2% despite U.S. tariffs, showing that demand stayed strong and Chinese firms adapted by selling more to other markets. However, in CY25, with new U.S. duties still in place and trade talks stalling, Chinese exporters could face slower growth as higher costs and tighter access to the U.S. push them to cut prices and shift more production to Southeast Asia.

World Exports (USD bln)	CY20	CY21	CY22	CY23	CY24
China	13.3	15.1	18.9	21.4	22.3
Thailand	5.2	6.3	6.6	7.0	7.4
Japan	4.1	5.0	5.5	5.5	5.1
United States	4.0	4.5	4.9	5.2	4.9
Germany	4.9	5.7	5.9	6.3	3.7
Other	38.2	49.6	44.2	45.4	52.6
World Total	69.7	86.2	86.0	90.8	96.0

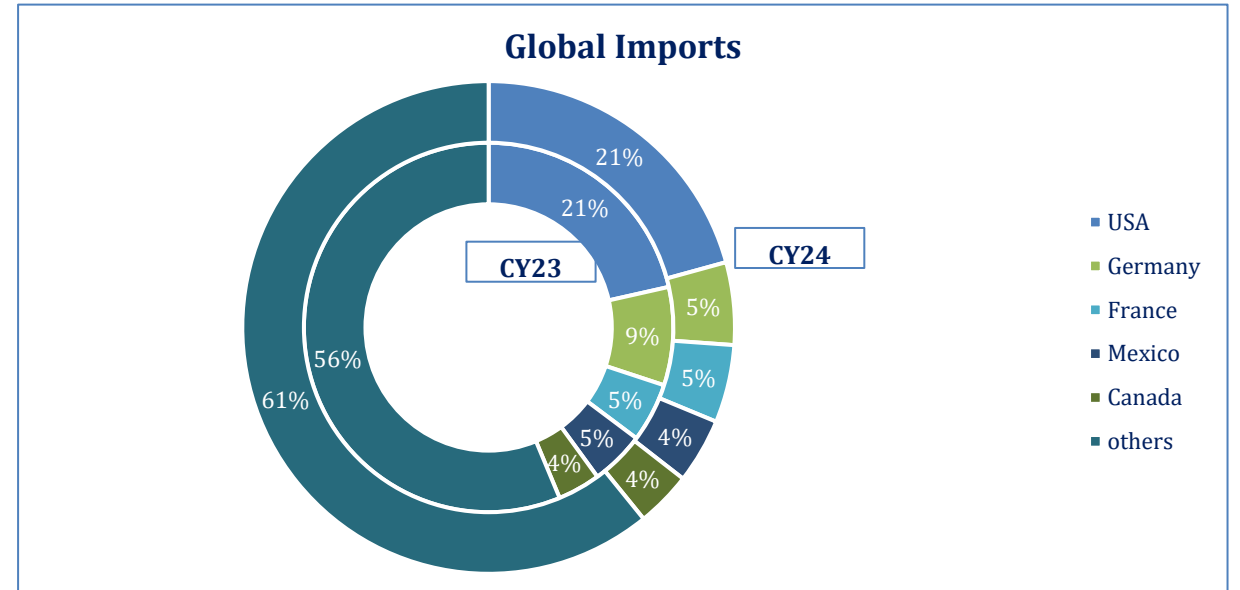


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Global | Imports

- In terms of Tyres imports, the USA, Germany, and France consistently remained the top three global importers for the past five years (CY20-24).
- In CY24, the USA's Tyres imports were valued at USD~19.9bln, up from USD~19.5bln in CY23, representing ~21.5% of the global imports. Germany's Tyres imports during the same period were valued at USD~5.2bln, accounting for ~9.0% of the global share. Meanwhile, both France and Mexico contributed ~5.0% each to the total global import share.
- The USA, Germany, and France benefit from strong domestic markets, supported by stable growth in both the automobile sector and replacement Tyres demand. Meanwhile, Mexico and Canada are emerging as rising automobile sectors, driving an increase in Tyres imports to meet the growing demand in these markets.
- The demand in developing countries has slowed or stagnated, which was compensated for by the rest of the world. The uncertainty on the global level due to US-imposed tariffs is also impacting the trade of Tyres.

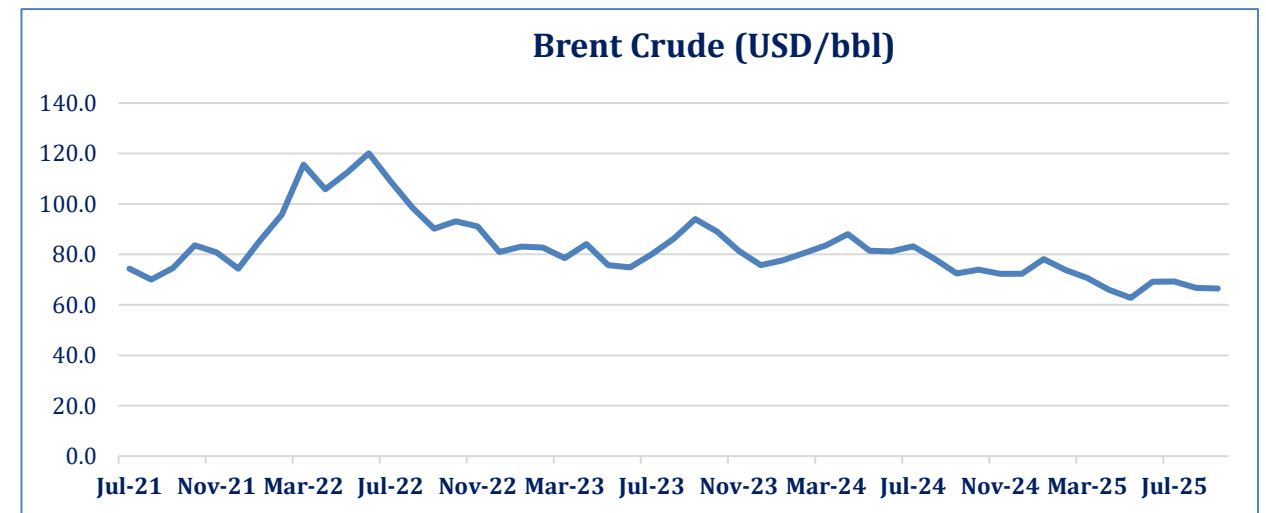
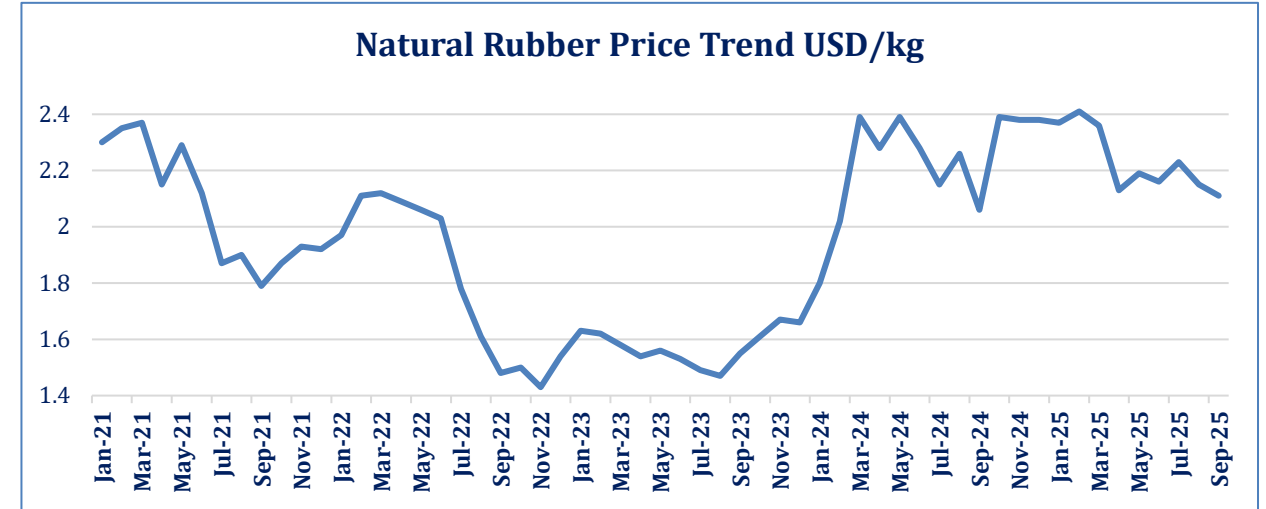
World Imports (USD bln)	CY20	CY21	CY22	CY23	CY24
USA	14.1	17.2	21.8	19.5	19.9
Germany	6.0	7.2	7.6	7.8	5.2
France	3.1	4.1	4.2	4.7	4.9
Mexico	2.5	3.4	4.2	4.3	4.1
Canada	2.5	3.2	3.6	3.4	3.5
Others	41.5	51.1	44.6	51.1	58.4
World Total	69.7	86.2	86.0	90.8	96.0



Tyres

Global | Natural Rubber Price

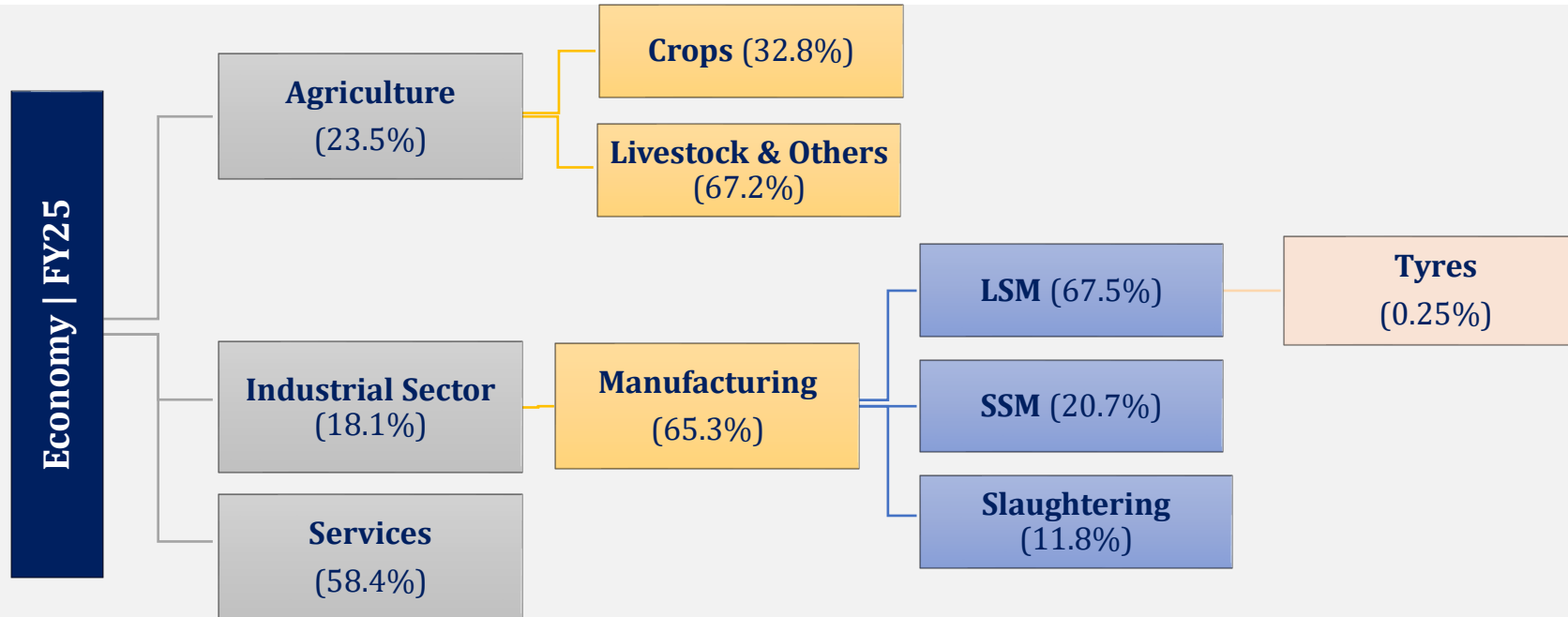
- Global prices of natural rubber have historically exhibited high volatility and remain influenced by supply and demand factors.
- Prices of natural rubber exhibited a volatile trend during CY24 and CY25 and reached USD~2.11/kg as of End-Sept'25.
- China, being the largest exporter of Tyres, depends on rubber imports to meet its needs for natural rubber, while India is the third largest producer and the fourth largest consumer of rubber.
- The global natural rubber market is expected to grow at a ~3.4% CAGR from CY25 to CY28. Price increases are likely due to rising environmental awareness, as natural rubber is biodegradable and renewable, and recent volatile crude oil prices (USD~64.3/bbl, Oct'25), making the synthetic rubber price vulnerable to such changes.
- With rising demand and limited supply, natural rubber prices are expected to remain high, significantly impacting the automobile sector, which consumes ~75.0% of the global rubber production.



Tyres

Local | Introduction

- In FY25, Pakistan's GDP (nominal) stood at PKR~114.7trn. In real terms, it rose by ~3.04% YoY in FY25 (FY24: ~2.6% YoY). The industrial sector held ~18.1% share in the GDP in FY25, while the services sector made up ~58.4%.
- Large-scale Manufacturing (LSM) in Pakistan is essential for economic growth, considering its linkages with other sectors, as it represented ~67.5% value in manufacturing activities and ~8.0% of the country's GDP in FY25. The LSM, however, contracted by ~1.5% YoY in FY25 (FY24: ~0.9%).
- The Tyres Sector is categorized as an LSM industry component within the broader industrial sector. In FY25, it accounted for ~0.25% of the sector's weight, while recording a YoY growth of ~2.4%.



Tyres

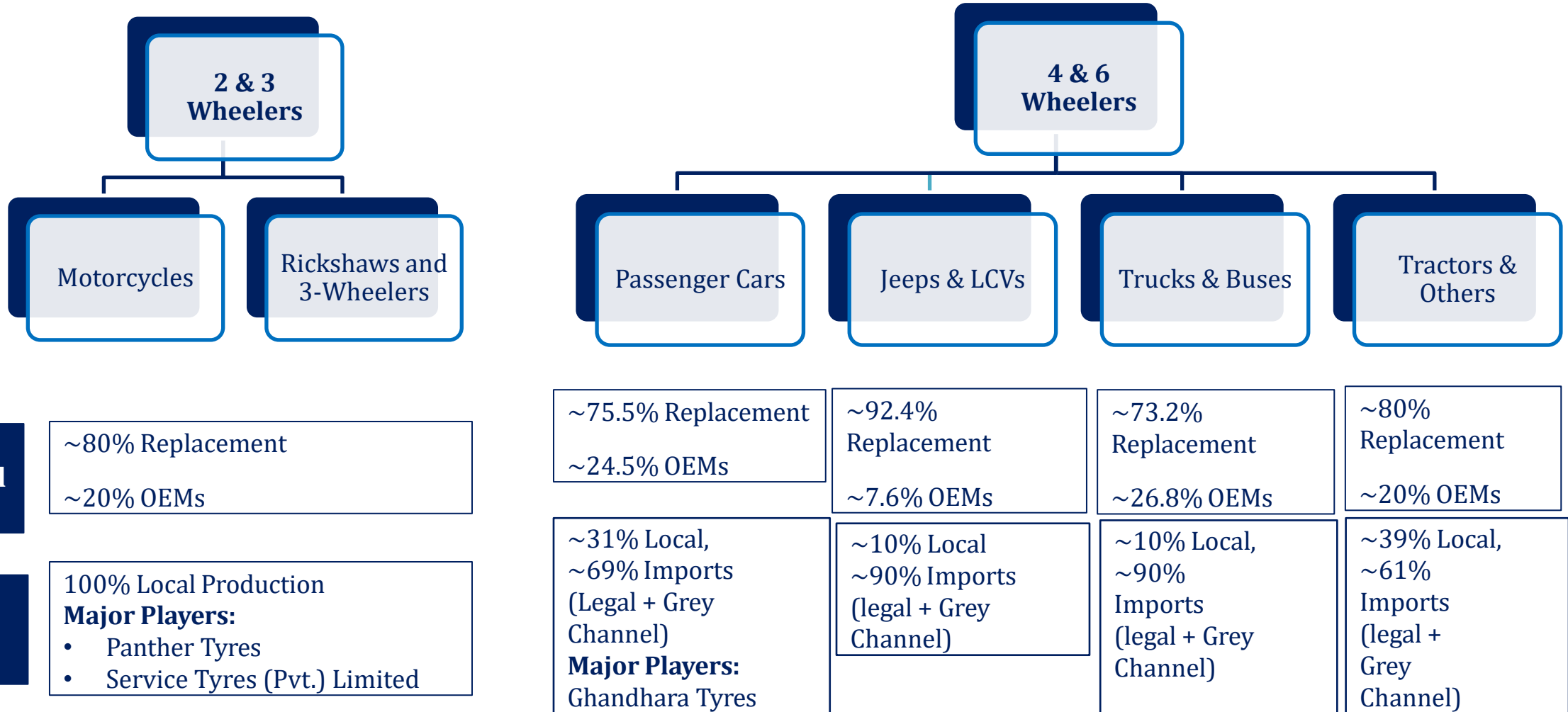
Local | Overview

- The local Tyres Sector heavily relies on demand from the automobile sector, which encompasses several categories - Passenger Cars, Jeeps, LCVs/Pickups, Tractors, and 2 & 3 Wheelers.
- The Tyres Sector is divided into OEM (Original Equipment Manufacturer) and RM (Replacement Market), with the replacement market holding an average share of ~80.0%, varying by the Tyres type.
- The Tyres Sector revenue stood at PKR~149.9bln in FY25 (FY24: PKR~141.9bln). Key players in the Tyres Sector include Ghandhara Tyres and Rubber Company, Panther Tyres Ltd, Service Tyres (Pvt) Ltd, and Service Long March Tyres (Pvt.) Limited.
- Ghandhara Tyres is the only local producer of Tyres for passenger cars, though imports dominate the market. Local production primarily serves the 2 & 3-wheeler segments, where Panther Tyres and Service Tyres (Pvt.) Limited holds significant shares.
- Grey channel procurement still retains a substantial portion of the Tyres Sector, particularly in the four-wheel category.
- In 1QFY26, ~1.1mln OEM Tyres units were produced and sold, compared to ~0.8mln units last year.
- The ~39.0% and ~35.0% growth in production and sales during 1QFY26 has been driven by improved demand and higher vehicle sales on the back of better economic conditions, such as inflation and policy rate coming down to ~4.2% (SPLY:~9.2%) and ~11.0% (SPLY:~19.5%), respectively.

Sector Overview	Units	FY22	FY23	FY24	FY25
Estimated Sector Revenue (4 Market Players)*	PKR bln	126.4	105.7	141.9	149.9
YoY revenue Growth	%	101.0	-16.4	34.0	5.6%
No. of listed companies		2			
Production of 2,3-Wheeler Tyres	mln units	18.5	12.0	11.6	15.3
Production of 4 Wheelers Tyres	mln units	6.1	3.3	2.4	3.8
Production of Trucks, Buses & Tractors Tyres	mln units	1.9	1.0	1.4	1.0
Import Value	PKR bln	42.0	21.6	28.5	41.3
Import Volume	mln units	5.4	3.0	4.1	7.5
Industry Association	Pakistan Association of automobile Parts & Accessories Manufacturers				

Tyres

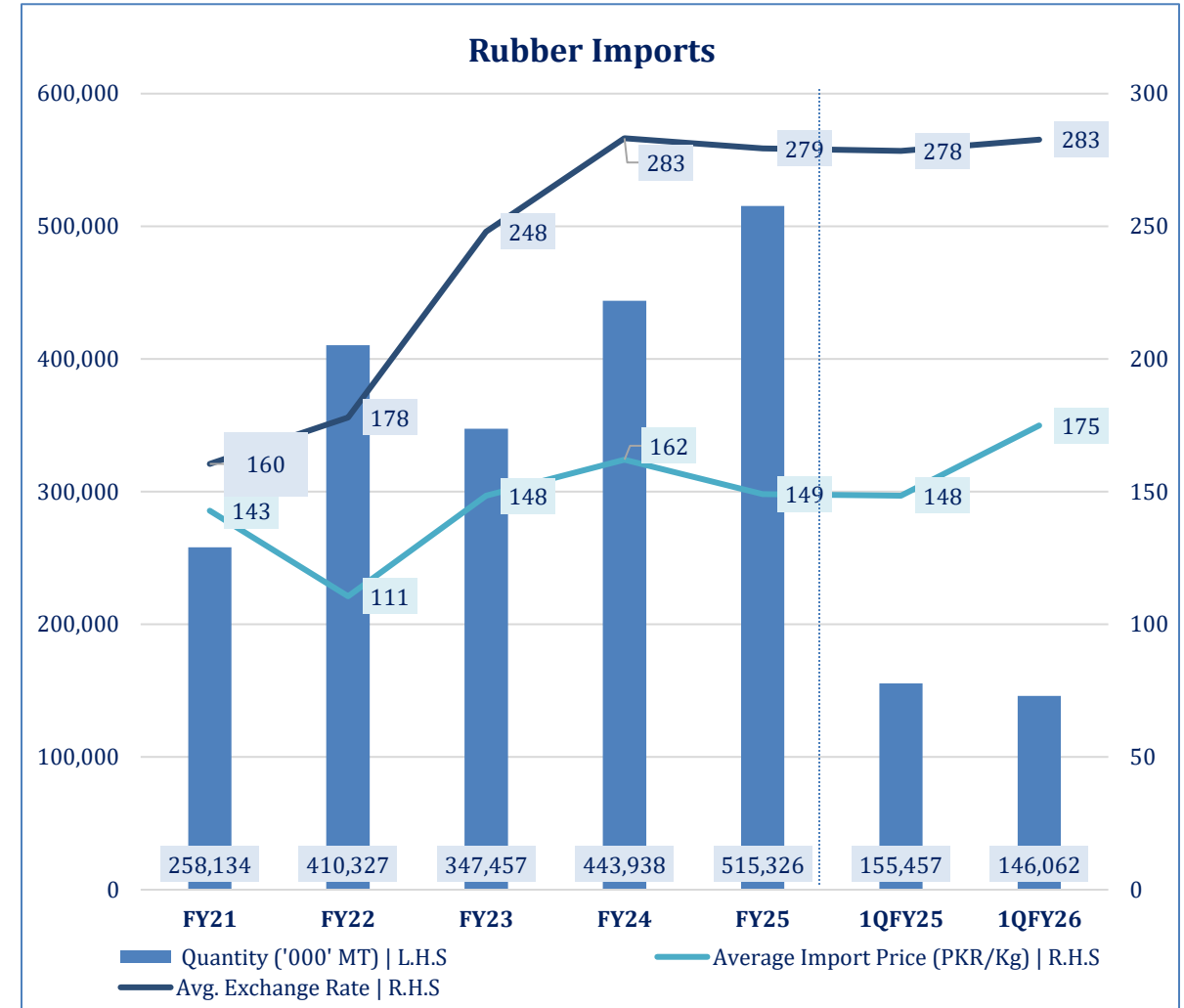
Local | Industry Structure



Tyres

Local | Raw Material

- The primary raw material used in Tyres production is rubber, encompassing both natural and synthetic varieties. Pakistan majorly relies on China, Malaysia, and Thailand for the import of rubber.
- In FY25, there was a notable increase of ~16.0% in the quantity of rubber imports, increasing from ~443,938 MT in FY24 to ~515,326 MT, on the back of favorable import conditions and higher anticipated demand during FY25.
- During FY25, Pakistan's currency appreciated by ~1.4% YoY against the US dollar to PKR~279.0 (FY24: PKR~283.0). With international rubber prices declining along with the appreciation of the local currency, the average import price of rubber per kg decreased by ~8.0% from PKR~162.0/kg in FY24 to PKR~149.0/kg in FY25.
- In 1QFY26, rubber imports declined by ~6.0% to ~146,062 MT (SPLY: ~155,457 MT). The average import price rose to PKR~175/kg from PKR~148/kg in the same period last year.
- Pakistani rupee also depreciated by ~1.8% with the exchange rate averaging PKR~283.0/USD (SPLY: PKR~278.0/USD).



Local | Production

Overview: The local automobile sector in FY25 experienced a strong rebound in demand. Total production of automobiles increased by ~30.6% to ~1.7mln units in FY25 (FY24: ~1.3mln units). This positive momentum can be attributable to a relatively better macroeconomic environment in FY25, with inflation ~4.5% (FY24: ~23.4%), stable currency (USD/PKR~278.0), and policy rate coming down to ~11.0%.

Segment-Wise Performance

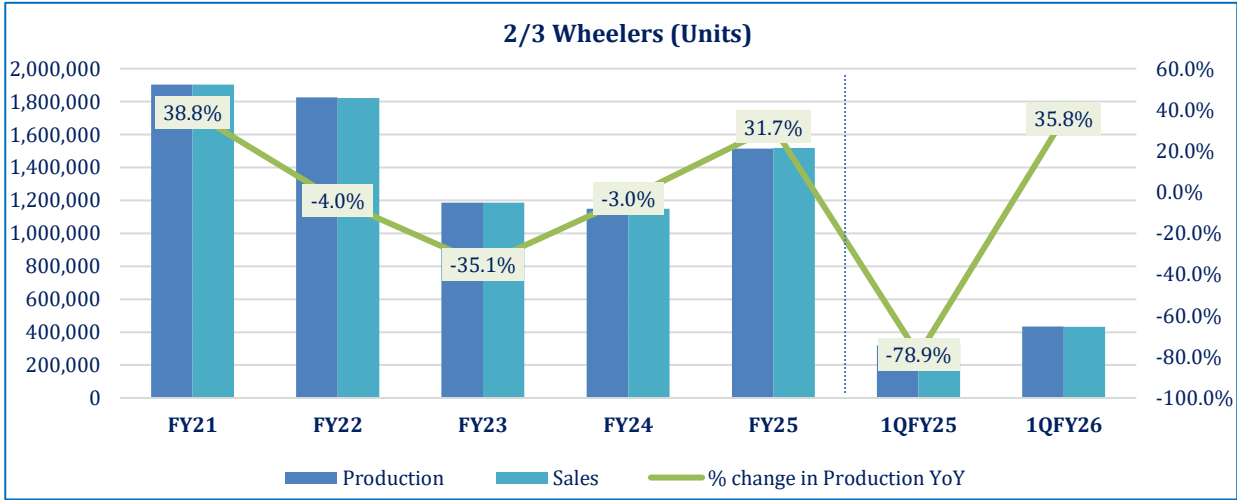
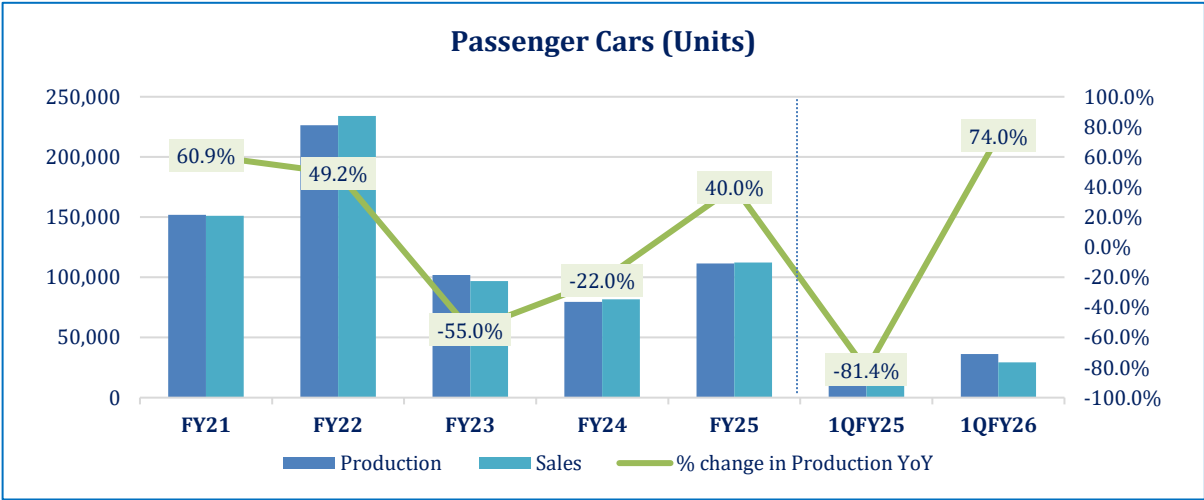
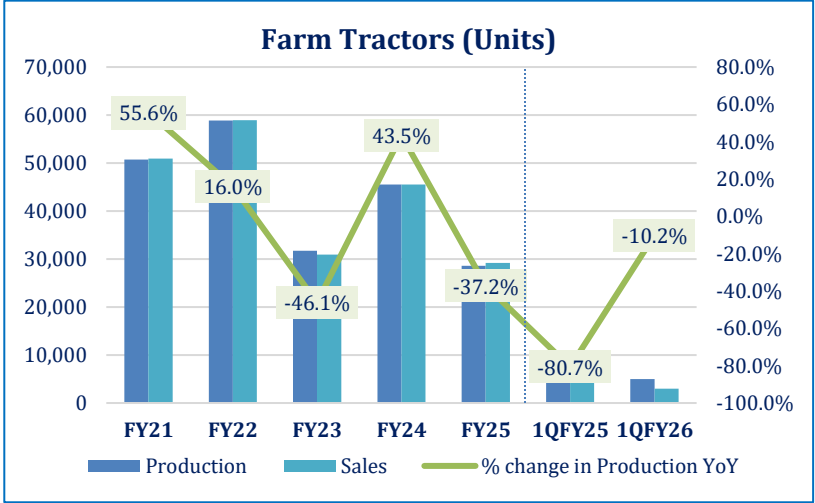
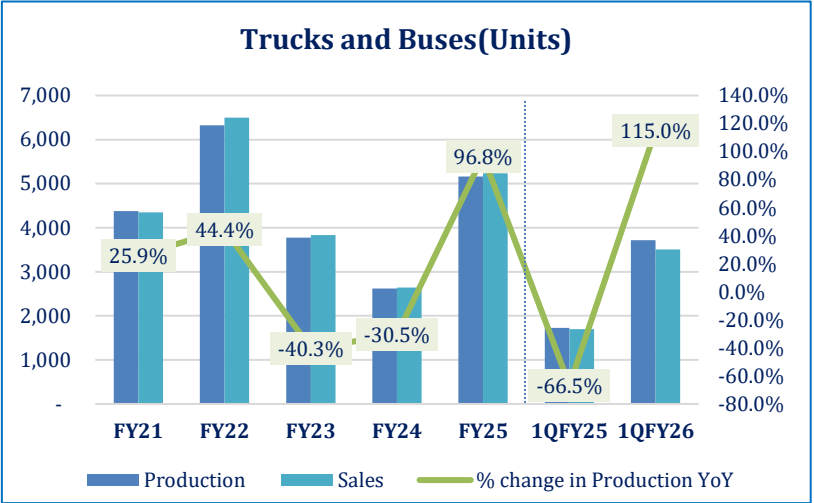
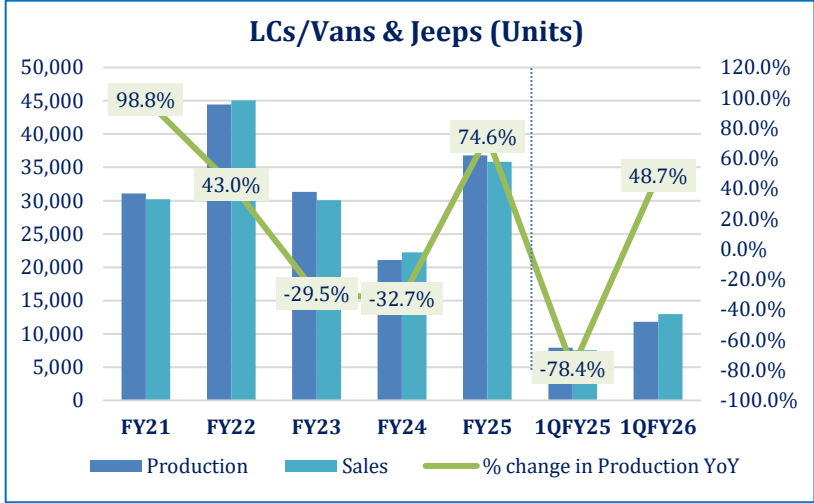
- In comparison to FY24, the production of Trucks & Buses segment rose the most in FY25 (~96.8%), followed by Jeeps & LCVs (up ~74.6% YoY), Passenger Cars (up ~40.0% YoY) and 2 & 3 Wheelers (up ~31.7% YoY). Only farm tractors experienced a decrease in production (down, ~37.2% YoY).
- The upward trend in the automobile sector trickled down to the Tyres Sector as well. The Tyres production rose by ~28.1% in FY25 on a YoY basis.
- The production of Tyres mirrored the automobile sector as Trucks & Buses experienced the highest increase (FY25: up ~96.8%, YoY), followed by an increase in the production of Tyres for Jeeps & LCVs, Passenger Cars, and 2 & 3 Wheelers (~74.6% YoY, ~40.0% YoY, and ~32.0% YoY, respectively).

FY26 and future outlook

- The economic situation in the country improved during FY25 and is projected to be stable in FY26. Inflation dropped to ~4.2% in FY26 (SPLY: ~9.2%). The currency, although depreciated by ~1.5% during 1QFY26 but remained largely stable over the year, along with the monetary policy recording at ~11.0%
- The improvement in the economy, coupled with banks' willingness to provide vehicle financing, led to higher demand for the automobile sector as overall production increased by ~37.9% to clock in at ~489,990 units (SPLY: ~355,199 units). The influx of several new EV and hybrid car brands and models is a positive sign for the sector as well.
- During 1QFY26, the production of Trucks and Buses remained strong and further increased by ~115.0%, YoY, followed by Passenger Cars (~74.0%), Jeeps & LCVs (~48.7%), and 2 & 3 (~35.8%).
- However, Tractor's production remained subdued and fell by ~10.2% to ~4,960 units in 1QFY26 (1QFY25: ~5,523 units) while the same trend was followed by the respective Tyres segment production. However, the Punjab Government's recent Green Tractor Scheme is expected to partially support OEM sales.

Tyres

Local | Production & Sale Automobiles



Tyres

Local | Market Segments | Consumption Wise

Market Segments					Type of Vehicles																			
					2 & 3 Wheelers				Passenger Cars				Jeeps & LCVs				Trucks & Buses				Tractors			
Original Equipment Manufacturers (OEM)					20.0%				24.5%				7.6%				26.8%				20.0%			
Replacement Market (RM)					80.0%				75.5%				92.4%				73.2%				80.0%			
Estimated Tyres Sales Segment-wise	2 & 3-Wheelers ('000' units)				Passenger Cars ('000' units)				Jeeps & LCVs ('000' units)				Trucks & Buses ('000' units)				Farm Tractors ('000' units)							
	FY24	FY25	1QFY25	1QFY26	FY24	FY25	1QFY25	1QFY26	FY24	FY25	1QFY25	1QFY26	FY24	FY25	1QFY25	1QFY26	FY24	FY25	1QFY25	1QFY26				
OEM Sales	1,150	1,519	320	432	82	112	20	29	22	36	8	13	3	5	2	4	45	29	5	3				
Sales Growth Rate (YoY)	-3%	32%	-79%	35%	-16%	38%	-82%	46%	-26%	61%	-79%	72%	-31%	98%	-68%	107%	47%	-36%	-82%	-43%				
Estimated No. of Tyres	2-3				4				4				6				6							
OEM Tyres Sales (A)	2,325	3,078	649	872	326	449	80	117	89	143	30	52	16	31	10	21	273	175	31	18				
Estimated RM Tyres (B)	9,299	12,312	2,595	3,486	1,006	1,383	247	361	1,082	1,742	366	630	43	86	28	57	1,092	701	125	72				
Total Tyres Consumption (A+B) (Units)	11,623	15,389	3,243	4,358	1,332	1,832	328	479	1,171	1,885	396	682	59	117	38	79	1,365	876	156	89				

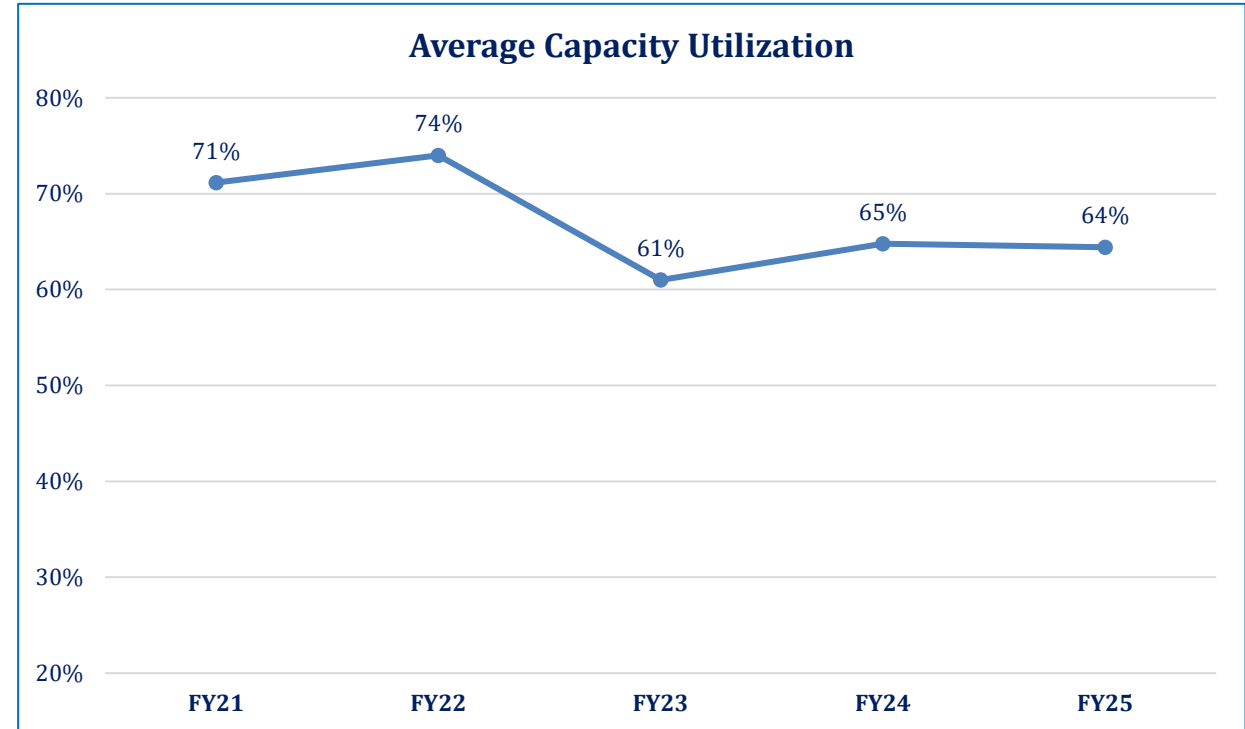
Note: Assumptions are based on the market data.

Tyres

Local | Capacities & Utilization

- The top players within the Tyres Sector have achieved capacity enhancements in the past few years. The total installed capacity of the Tyres Sector increased to ~39.9mln units in FY25 (FY24: ~39.2mln units). During FY25, average capacity utilization remained marginally low at ~64.0% (FY24: ~65.0%).
- Local production decreased marginally during FY25 due to a higher influx of cheap imported tyres, mainly from China. Resultantly, capacity utilization remained flat. The government has relaxed import restrictions on used vehicles. This is expected to increase Tyres demand in the replacement market even if OEMs' production remains flat.

Major Sector Players	Installed Capacity (mln units)				
	FY21	FY22	FY23	FY24	FY25
Ghandhara Tyres	4.0	4.3	3.9	4.4	4.4
Panther Tyres	8.1	8.1	9.8	9.8	9.9
Service Pvt. Ltd.	20.4	23.3	23.1	24.3	24.3
Service Long March Tyres	N/A	0.2	0.7	0.7	1.3
Total Capacity	32.5	35.9	37.5	39.2	39.9



Note: The installed capacity and utilized capacity data is reflective of 4 PACRA rated clients for different periods

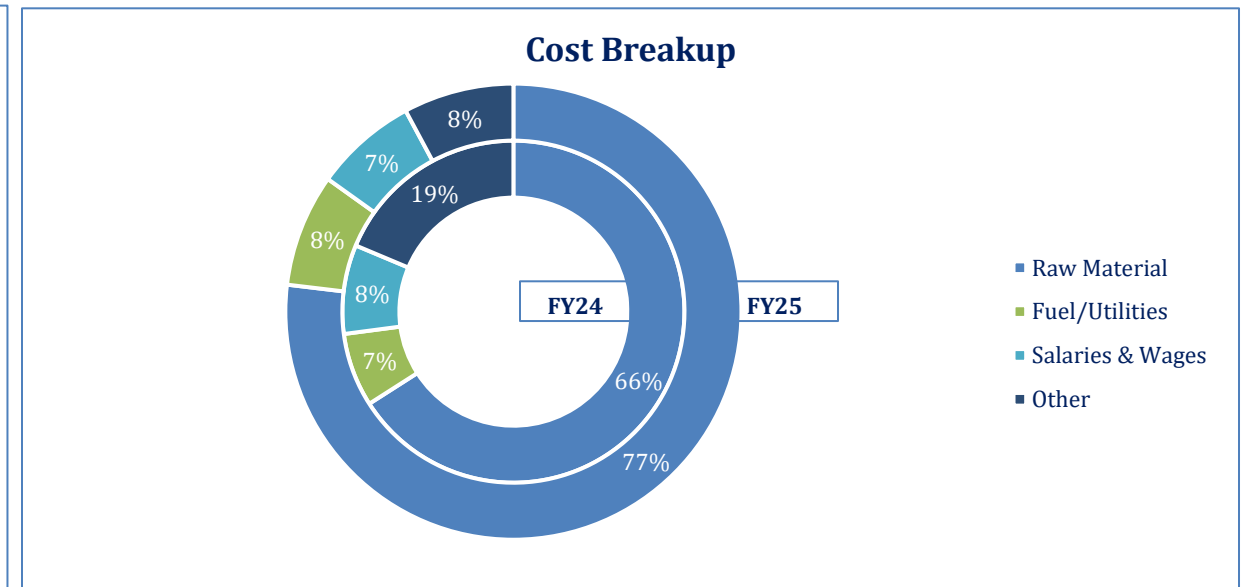
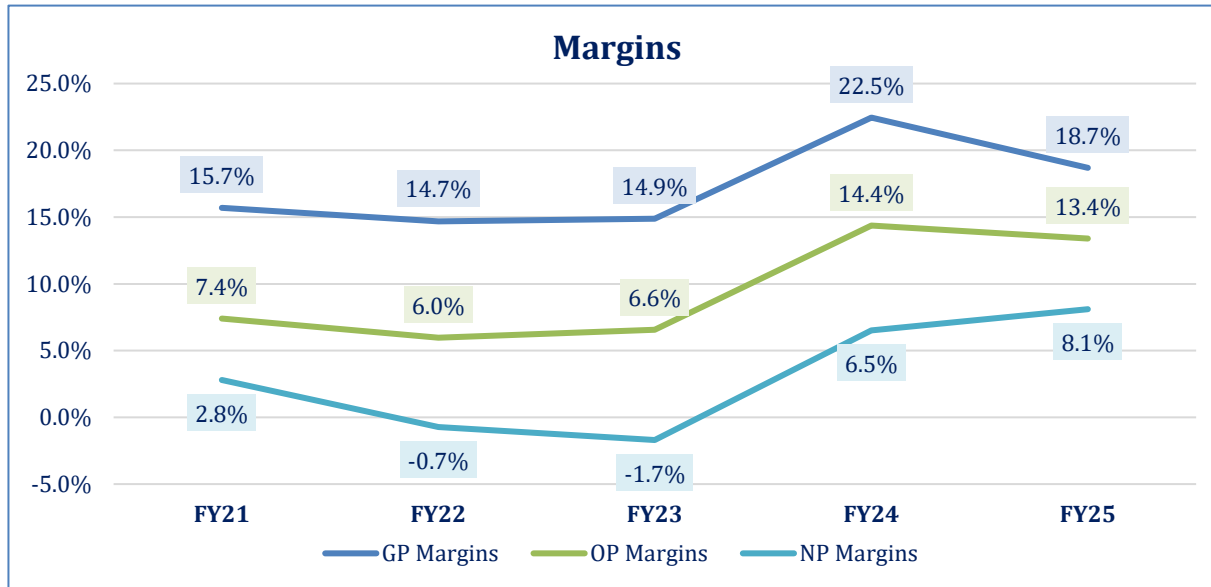
Local | Business Risk

- **Demand:** In previous years, the decline in automobile demand (FY24: ~1.3mln units; FY23: ~1.4mln units) negatively impacted Tyres sales (FY24: ~15.5mln units; FY23: ~16.1mln units). In FY25, automobile demand rebounded; however, OEM Tyres sales remained subdued due to the continued dominance of the replacement market.
- **Impact of Interest Rates:** Automobile demand in FY25 was largely supported by lower interest rates of ~11.0% (FY24: ~20.5%), which made auto financing more affordable. This trend persisted in 1QFY26 as the monetary policy remained stable at ~11.0%. However, since the local Tyres market continues to be dominated by cheap imported replacement Tyres, domestic OEM manufacturers gained only a limited advantage from the improved financing conditions.
- **Raw Material:** The Tyres Sector's raw materials, such as rubber and carbon black, are largely imported. Thus, the sector remains exposed to volatile international prices and exchange rate risk. However, during FY25, currency appreciated by ~1.4% YoY to USD/PKR~279.0 (FY24: USD/PKR~283.0), and lower international prices of rubber led to relatively affordable prices of imported raw materials and consequently improved the sector's margins.
- **Grey Channel:** The players operating in 4-wheeler segments, such as Passenger Cars, LCVs/Jeeps, and Trucks & Buses, hold a relatively smaller share of the market as compared to the imported Tyres. Tyres imported through grey channels in particular dominate these segments, leading to high levels of competition. The government of Pakistan has been making concerted efforts through strict enforcement and border management to curb the smuggling of various goods. This is likely to benefit local manufacturers who may be able to increase their market shares in these segments.

Tyres

Local | Margins & Cost Structure

- The presence of imported Tyres, as well as the relatively elastic demand of the Sector, particularly in the 4-wheeler segment, exerts pressure on the Sector's average margins. Sales volumes can fluctuate due to price variance against imported Tyres, especially of high-priced units, if prices are on an increasing trend. On the other hand, the 2 & 3-wheeler market is less price sensitive with low import dependency.
- During FY25, the average gross margin for the Sector fell to ~18.7% (FY24: ~22.5%). This decline was primarily driven by lower OEM sales as the local market is dominated by cheap replacement Tyres, along with weaker demand in the farm tractor segment. On the cost side, raw materials remained the major component, constituting ~77.0% of total manufacturing costs, followed by fuel costs at ~8.0% (FY24: ~7.0%) and salaries & wages at ~7.0% (FY24: ~8.0%).
- However, the sector's net margins improved and were recorded at ~8.1% in FY25 (FY24: ~6.5%). The improvement in profitability was supported by a notable ~51.2% reduction in finance costs, as the policy rate declined to ~11.0% in FY25 (FY24: ~20.5%).

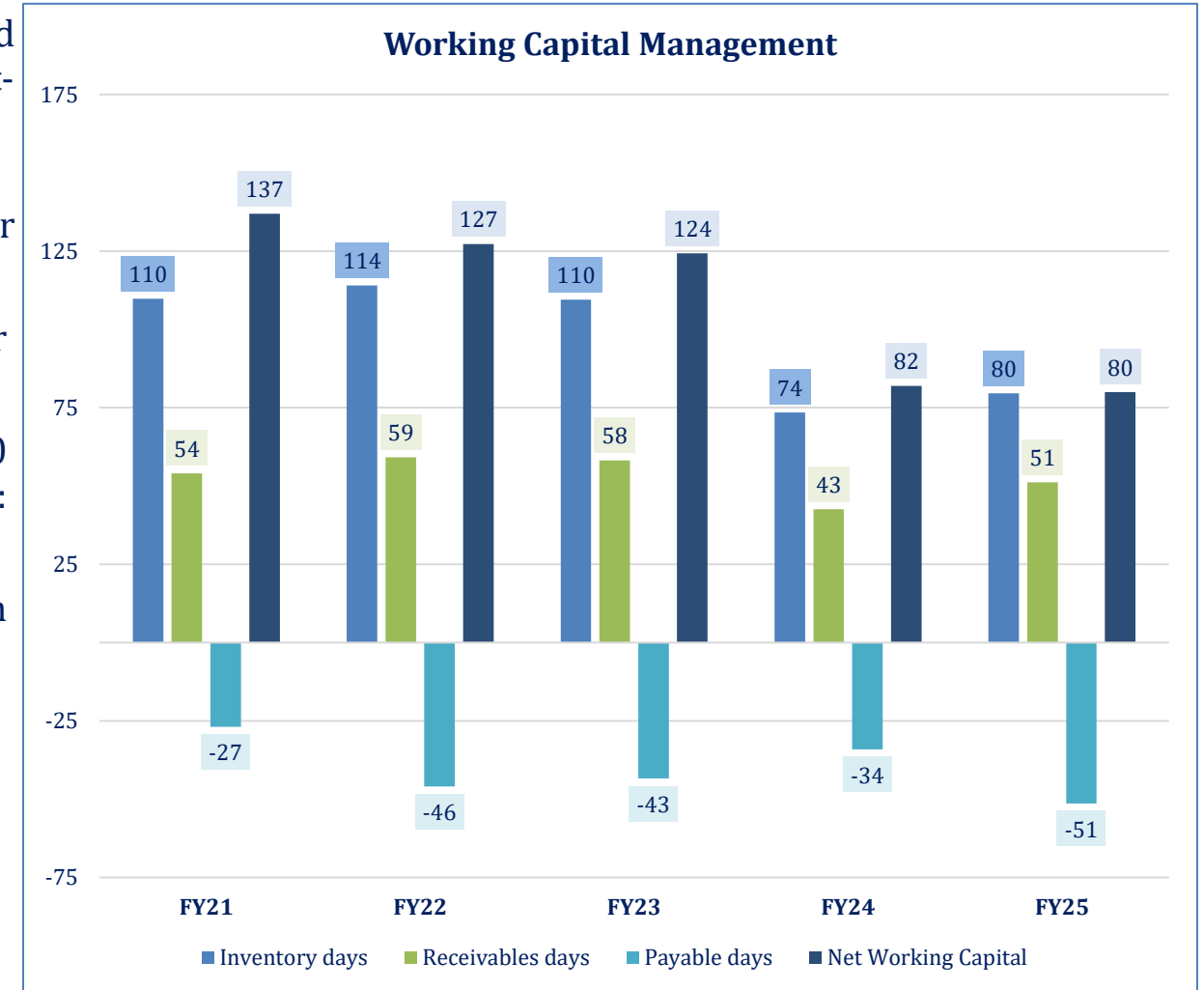


Note: Margins and cost break up are reflective of 4 listed/rated sector players.

Tyres

Local | Financial Risk

- The Sector's working capital is largely a function of inventory and trade receivables and is financed through a combination of short-term borrowings and internal capital.
- The average net working capital cycle for the sector over the last four years (FY21-24) was ~110 days.
- During FY25, the average net working capital days of the Tyres Sector was recorded at ~80 days (FY24: ~82 days).
- Inventory days rose by ~6 days in FY25 and were calculated at ~80 days (FY24: ~74 days) while receivable days rose to ~51 days (FY24: ~43 days), up ~8 days.
- Payable days also rose by ~17 days and were recorded at ~51 days in FY25 compared to ~34 days in FY24.

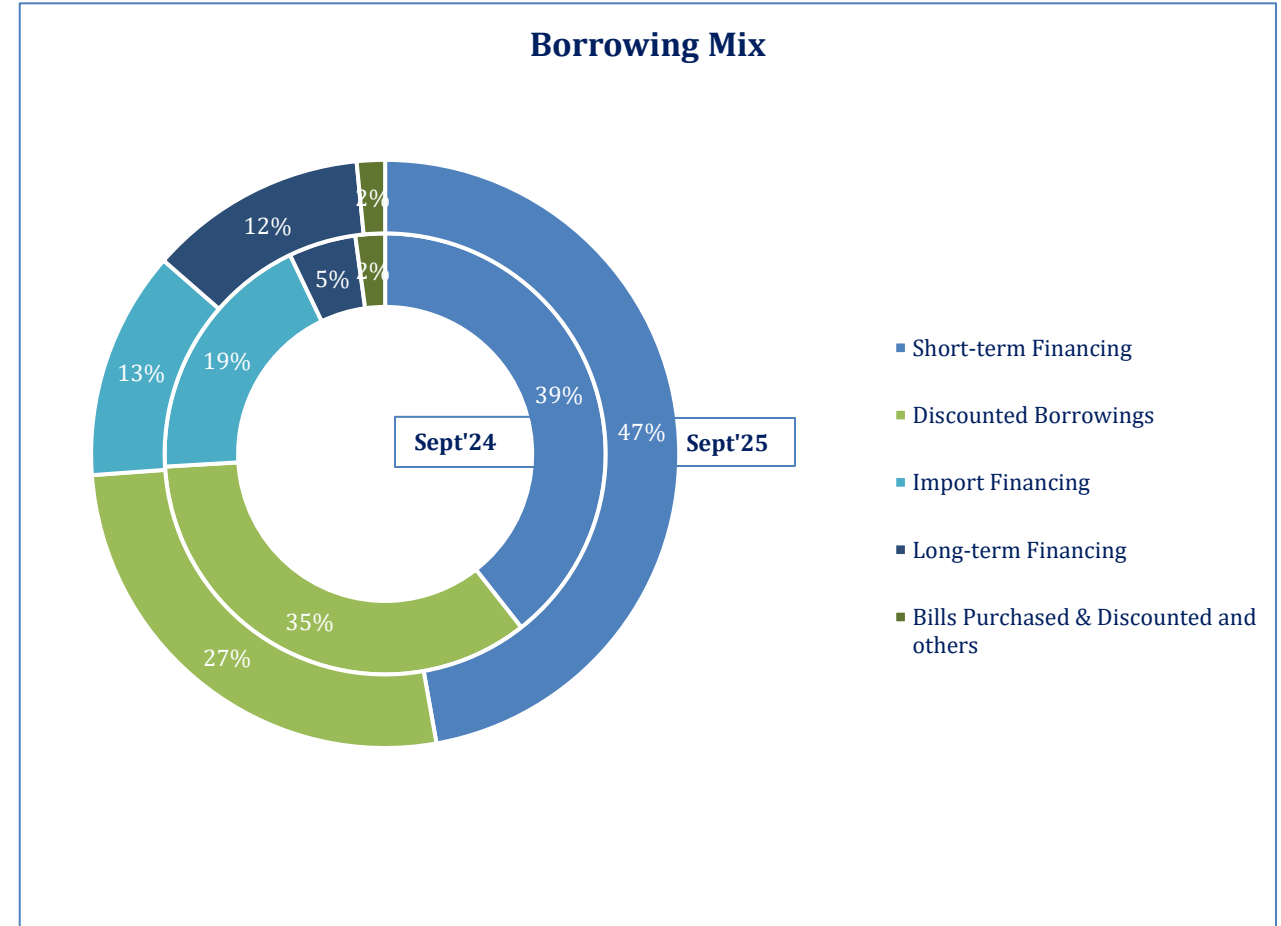


Note: Working capital figures are reflective of 4 listed/rated sector players.

Tyres

Local | Financial Risk

- The total borrowing of the Tyres Sector stood at PKR~58,536mln as at End-Sept'25 (SPLY: PKR~36,588mln).
- This increase of ~60.0% of total borrowing firstly reflects a rise in short-term financing, which stood at PKR~27,632mln as of End-Sept'25 (SPLY: PKR~14,419mln).
- Long-term borrowing depicts ~290.2% increase to PKR~7,039mln as at End-Sept'25 (SPLY: PKR~1,804mln).
- Additionally, discounted borrowings also increased by ~22.9% as at End-Sept25 to PKR~15,597mln (SPLY: PKR~12,687mln).
- Import financing also rose by ~6.9% from PKR~6,885mln as at End-Sept'24 to PKR~7,361mln of End-Sept'25.
- As of End-Sept'25, both short-term financing and discounted borrowings held the largest component in the sector's total borrowing, accounting for ~47.0% and ~27.0% of the total borrowing (End-Sept'24:~39.0% & ~35.0% respectively).



Local | Regulatory Framework

- The Tyres Sector operates under the Normal Tax Regime (NTR) and is subject to a minimum tax rate of ~1.25% of turnover, applicable if the tax liability under NTR is lower than the minimum tax.
- However, any additional tax paid under the minimum tax regime can be adjusted against future tax liabilities for up to five years, providing some relief and flexibility for the Sector.
- In addition, a sales tax of ~18.0% is applicable on both raw materials, i.e., rubber and carbon black, as well as finished goods, i.e., Tyres.
- Furthermore, income tax is applied at ~12.0%. Overall, duties on Tyres raw materials have been reduced by the government for FY26, while in the finished goods segment, such as motor cars, light trucks, and motorcycles, duties have been increased.
- Although some Tyres manufacturers are members of the Pakistan Association of Automotive Parts & Accessories Manufacturers, there is no dedicated industry representative body for local Tyres manufacturers. The Pakistan Tyres Importers & Dealers Association serves as the representative body for Tyres importers.

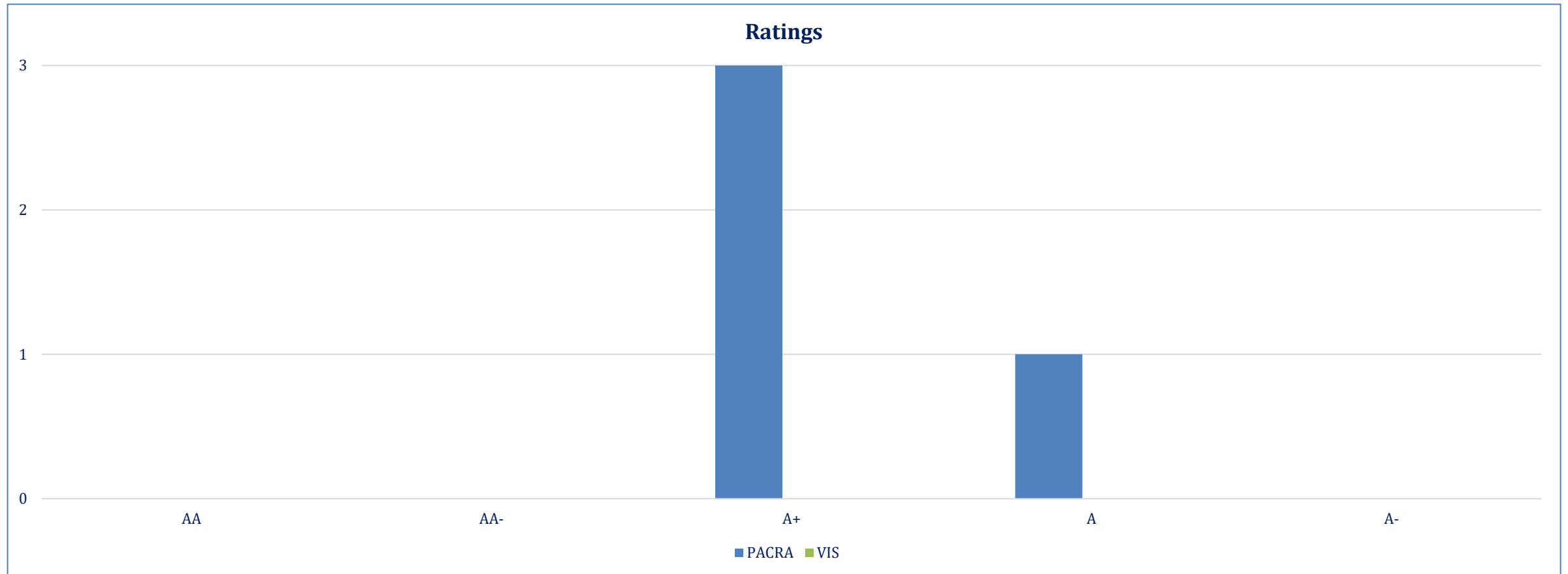
Tyres

Local | Duty Structure

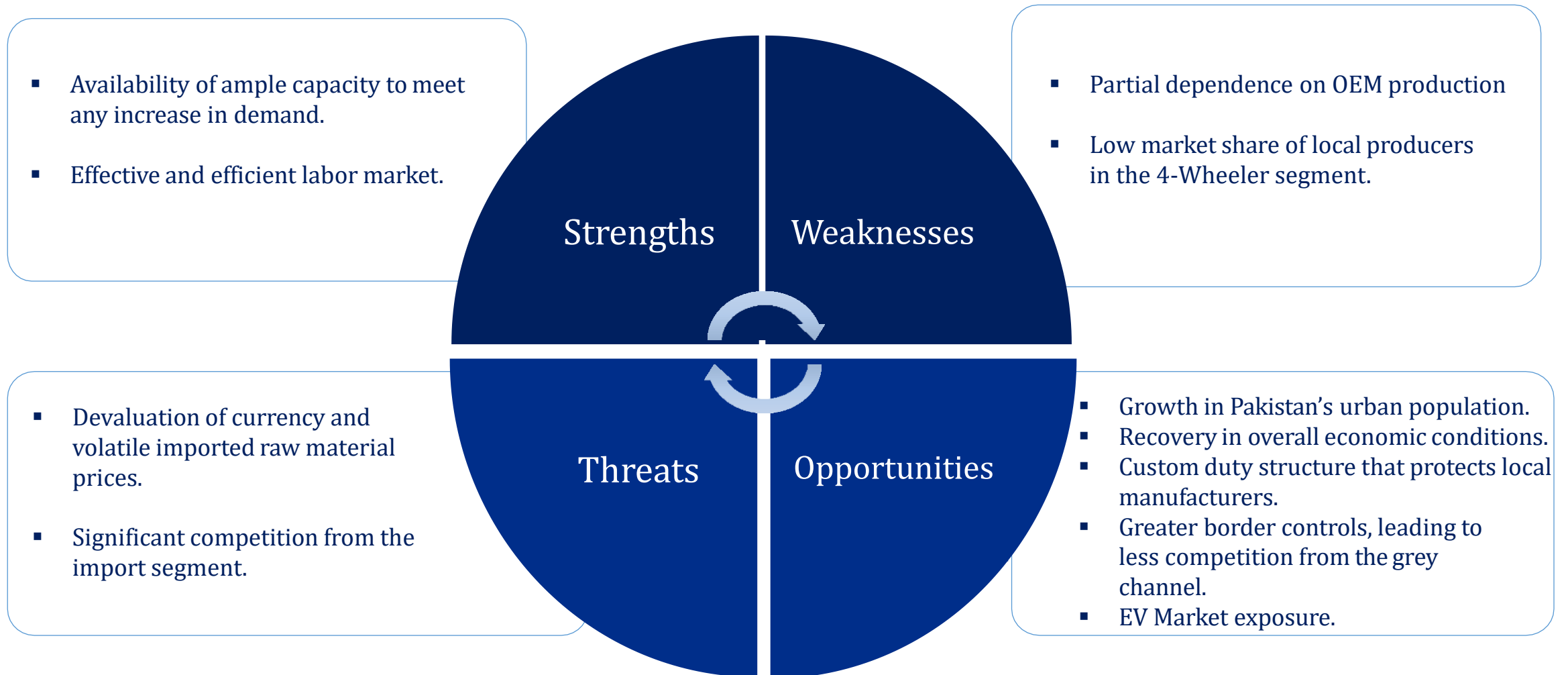
HS Code	Description	Customs Duty		Additional Customs Duty		Regulatory Duty		Total	
		FY25	FY26	FY25	FY26	FY25	FY26	FY25	FY26
Raw Materials									
2803.001	Carbon Black (Rubber Grade)	16%	10%	4%	0%	0%	0%	20%	10%
4001.1000	Natural Rubber	0%	0%	2%	0%	0%	0%	2%	0%
4002.1100	Synthetic Rubber	0%	0%	2%	0%	0%	0%	0%	0%
Finished Goods									
4011.1000	Tyres - Used on motor cars	16%	15%	11%	11%	20%	20%	40%	46%
4011.2011	Tyres - Used on Light Trucks	16%	15%	11%	11%	20%	20%	40%	46%
4011.2091	Tyres - Used on Buses	3%	5%	2%	0%	25%	20%	30%	25%
4011.4000	Motorcycle Tyres	20%	20%	11%	11%	0%	0%	26%	31%
4011.7000	Tyres - Used on Agricultural Machines	20%	20%	6%	4%	0%	0%	26%	24%
8481.3010	Tyres Tubes	16%	15%	4%	2%	0%	16%	20%	33%

Rating Chart

PACRA rates 4 entities in the Tyres Sector with a long-term rating bandwidth of A+ to A.



SWOT Analysis



Outlook: Stable

- The Tyres Sector remained under pressure due to challenging economic conditions. In FY25, the economy showed signs of recovery. Real GDP grew by ~3.04% in FY25 (FY24: ~2.6%) while inflation came down to ~4.5% (FY24: ~23.4%) and policy rate was stable at ~11.0%. This was supplemented by a stable exchange rate and prudent macroeconomic management. The government is also taking steps to curb grey channels and reduce smuggling in the country.
- Going into FY26, the economic stability is expected to remain on track as the recent Staff-Level Agreement (SLA) with the IMF, following a successful review, underscores the government's strong policy performance, improved macroeconomic fundamentals, and commitment to reforms. Due to recent floods, there remains a risk of inflationary pressures. However, the government is committed to maintaining fiscal discipline and keeping inflation within the target range of ~5.0%-7.0% (1QFY26: ~4.2%).
- Since macroeconomic performance is closely linked with the Auto Industry, FY25 marked the year of recovery for the Automobile and Tyres sectors. Total production and sales of automobiles increased by ~30.6% to reach ~1.7mln units in FY25 (FY24: ~1.3mln units).
- This positive momentum is expected to continue into FY26, as progress in 1QFY26 remained healthy. Production and sales of automobiles increased by ~35.4% and ~37.9%, respectively, while the Tyres Sector continued to face pressure due to a surge in cheap imported Tyres, which in FY25 rose by ~80.0% in terms of units.
- In FY25, the Tyres Sector posted comparatively lower gross margins, although net margins improved to ~8.1% (FY24: ~6.5%) due to lower finance cost. However, sector profitability is expected to improve in the coming quarters based on higher production and sales, supported by a stable policy rate and exchange rate environment.
- Farm Tractors remained the only segment that experienced a decline, with production down ~37.2% YoY in FY25 and ~10.2% in 1QFY26. However, the Punjab Government's recent Green Tractor Scheme is expected to partially support OEM sales.
- The recently introduced Greenfield Tyres Manufacturing Project in Ghara, Sindh, is expected to significantly strengthen Pakistan's Tyres Sector by reducing import dependency, enhancing local production capacity, and saving foreign exchange equivalent to USD~500.0mln in the next few years. It introduces advanced technology and higher-quality radial and UHP Tyres, which will improve industry standards and competitiveness. Moreover, its export potential could open new regional markets, though challenges such as raw material dependence, energy costs, and competition from smuggled Tyres may temper its overall impact.

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Research Team	Mohammad Abdul Rehman Khan Supervising Senior Abdulrehman.khan@pacra.com	Muhammad Shahryar Butt Associate Research Analyst shahryar.butt@pacra.com
Contact Number: +92 42 35869504		

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