Tyre Industry

Raw material concerns must be addressed

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The tyre industry has passed through an extremely difficult phase of continuous and significant increase in prices of natural rubber and other key raw materials. Since raw materials account for approximately 70 per cent of the industry turnover, the input cost pressure has resulted in severe erosion of the sector's net margins. We are therefore keenly hoping the Budget will address the specific raw material concerns of the automotive tyre industry. Domestic rubber consumption has outstripped production in India. India has become the second largest consumer of the commodity globally while it ranks fourth in production. In view of new capacity creation in the tyre industry and limited growth in rubber area under cultivation, the availability will likely worsen in the foreseeable future. The industry has therefore asked for duty-free rubber import to bridge the deficit.

The tyre industry has put in investments of over Rs 12,000 crore. All large tyre companies have made substantial investments for new projects, primarily in radial truck and passenger car tyres. The radial tyre investments have multiple benefits in terms of fuel saving, longer life and efficient utilisation of scarce raw materials. However the industry needs an enabling policy framework from the government for these investments to be meaningful.

Also, stiff Customs duties are imposed, even on raw materials, the domestic availability of which is short of domestic consumption. These include steel tyre cord, nylon tyre cord, PBR (synthetic rubber) and rubber chemicals. Over and above this, anti-dumping and safeguard duties have been levied on many raw materials, despite domestic scarcity. These must be reduced.