

Falling Auto Sales Push Tyre Makers to Cut Production

Demand to remain weak for next few months; industry may revive in second half

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The slowing Indian automotive market is taking a toll on the tyre industry that is planning to rationalise production in tandem with the weakening domestic market and channelise excess stocks to exports.

Car sales grew by a modest 2.78% in May, while the critical heavy truck & bus segment dipped 11% to 22,227 units in the same month. According to different players in the Indian tyre market, the order size for these automakers are down for the next two-three months, while demand from the critical replacement market that forms half of the supplies is also tapering off.

The Automotive Tyre Manufacturers' Association (ATMA) says demand could remain weak for the next few months with some hopes of revival expected in the second half of the fiscal, close to the festive season in October. "We are concerned about the falling orders from different manufacturers. The weak consumer sentiment in the market has further impacted prospects with some significant drop in demand from the replacement market," says ATMA director general Rajiv Budhraj.

The Indian tyre industry is largely dependent on the domestic market where close to 2-crore vehicles are produced every year. With major players like Tata Motors, Ashok Leyland, Maruti Suzuki, Volkswagen, Toyota and General Motors reducing pro-



duction to reduce their inventories in a slowing domestic market tyre production outlook for the next is grim.

Even as tyre production went up by 10% in 2011-12 fiscal year following 14% production growth of Indian automotive industry in the same period. The Indian tyre market has shown robust growth in the past few years and is expected to post buoyant growth due to increasing number of automobile sales in the country. Tyre companies say that sales in April were firm, but have started declining in May and June with grim outlook from automotive manufacturing companies.

JK Tyres vice-president marketing & sales Vikram Malhotra, said, "The orders from auto manufacturers are down, but we are focusing on the exports as a window to channelise our production to stronger markets like South America with truck and bus radials."

The Indian tyre industry is enjoying stable raw material prices especially natural rubber that accounts for 50% of the input cost for the tyre companies. Natural tyre prices are hovering around ₹185/kg in the domestic market after touching the peak of ₹260-270 last year. Indian companies are likely to improve their margins on declining commodity prices.

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