

Rising Import of Chinese Tyres Vexes Local Cos

Taxi segment shifting to cheaper imported products despite a 10% import duty

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A spike in the import of cheaper tyres from China is worrying the tyre industry which is facing a demand slowdown.

The taxi segment is increasingly shifting to imported tyres attracted by the lower price though their quality is said to be inferior to indigenous tyres. The industry has been urging the government to revise upwards the import duty on tyres from the current 10% while the duty on natural rubber has been pegged at 20%.

Rupee depreciation has not made any significant impact on tyre imports. While truck and bus tyre import dropped 7.6% in the first quarter, passenger car tyre import have gone up to 14 lakh units, up by nearly 24% over the previous quarter.

This is a significant increase considering that for the whole of 2011-12, the passenger car tyre import rose barely 2.4% to 48.75 lakh tyres. Truck and bus tyre imports fell 10.3% to 16.45 lakh tyres last year.

"The availability of cheap Chinese tyres is a matter of serious concern. This is more so in the commercial taxi segment where consumers have switched brands. Chinese car tyres have taken nearly 20% of market share in some sizes," said Vikram Malhotra, VP, marketing and sales, JK Tyres.

The radial tyre segment too has been affected. The price difference is as much as 20% for truck



and bus radials and 30% to 35% for car radials. Almost 60% of the tyres are coming from China. "Though the import duty on tyres is 10%, it's 8.6% for China because of the Asia Pacific agreement. Imports are mostly by independent traders. Earlier, OEMs used to import too," said Rajiv Budhbra, director general of Automotive Tyre Manufacturers' Association.

"The US, Europe and countries like Brazil have enforced barriers to bring down imports. But here, China is dumping low-quality tyres, which raises a serious question on safety," said Satish Sharma, chief of India operations, Apollo Tyres.

Interestingly, this is happening at a time when the import duty of natural rubber and latex has been pegged at 20% and 70% respectively. The industry has been consistently pointing out this anomaly of higher duty for raw materials and lower one for finished products. "Even after rupee depreciation, buyers and sellers have been re-negotiating the prices but the quantity of imports has not been affected much," pointed out Vinod Simon, president of All India Rubber Industries Association.

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