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Crude to Drag Down 'Golden' Synthetic Rubber Prices Too

Till now synthetic rubber's trade had been on the rise even when natural rubber's plummeted

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Kochi: After the slump in natural rubber (NR) prices, it now seems to be the turn of synthetic rubber (SR), with the crude oil prices hovering around \$50 a barrel.

The tyre and non-tyre industry is expecting a fall in the prices of synthetic rubber, which is a byproduct of crude oil. Interestingly, in the

last couple of years when the NR production plummeted, the SR output has grown in the country.

The growth has been remarkable during 2014-15, when the crude oil prices began to oscillate. As per the Rubber Board data, synthetic rubber production jumped 35% to 1,51,891 tonne in 2014-15. The consumption too went up by 11% to 5,36,130 tonne. On the other hand, NR production dropped 15% in the last two years. The industries depend more on import of SR to bridge the gap between supply and demand.

"We are expecting a 5 to 6% drop in the prices of SR nitrile butadiene which is consumed by the non-tyre industry. The industry uses over 1 lakh tonne of the commodity," said Mohinder Gupta, president of All India Rubber Industries' Association.

When the natural rubber prices touched record levels around five years ago, the use of synthetic rubber increased in the rubber goods industry. However, it was difficult for them to shift back when the NR prices nosedived. Take for instance the footwear industry which used to consume 70% natural rubber and 30% SR. The ratio now is almost 50:50.

"Synthetic rubber is not a perfect substitute for NR. But it helps in increasing the durability of the footwear and makes it light in weight," said K T Thomas, managing director of Paragon Group, leading footwear manufacturer in the country.

A major share of the SR consumption is by the tyre industry. The percentage of use is more in car radials. Here, too, like the non-tyre sector the SR consumption has been going up. The NR usage in tyre

ON PRICE FALL

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could have dropped from 70% to 65 or lower with a gain for SR. "But there is a limit to which NR can be substituted by SR. The industry can't go beyond that point," pointed out Rajiv Budhbraja, director general of Automotive Tyre Manufacturers' Association (Atma).