

Synthetic rubber to cost less, demand to rise

ANINDITA DEY &
SHARLEEN DSOUZA
Mumbai, 1 July

TRACKING natural rubber (NR), prices of synthetic rubber (SR) are soon expected to fall from the current high of ₹210-215 a kg.

However, SR consumption is expected to remain at higher levels, given a projection of the Rubber Board that till 2014, there will be a shortage of 90,000-100,000 tonnes NR.

The Rubber Board for the year 2011-12 has projected a provisional annual output of 902,000 tonnes as against 861,950 tonnes in 2010-11.

While consumption is provisionally pegged at 977,000 tonnes as against 949,000 tonnes last year, officials said last year's figure is expected to get some downward revision following increasing use of SR.

For the tyre industry, predominantly dependent on rubber, manufacturers use 75 per cent of NR, with 25 per cent of synthetic. The ratio is expected to marginally go up this year, officials of the Rubber Board said. The ratio would have increased more this year if the NR prices would have remained high and the output of NR was not so robust.

"It depends on the product

profile. In the case of bus and truck tyres, it was possible to change the synthetic rubber and natural rubber ratio marginally, but the possibility to change the ratio is a lot higher in passenger vehicles," said Rajiv Budhraj, director general, Automotive Tyre Manufacturers Association.

Rising rubber production, easing crude prices internationally and slowdown in domestic demand are some reasons for the prices to fall. NR prices crashed mainly on account of the sharp fall in prices in the overseas markets and came down to ₹200 a kg. In the beginning of this month, the lo-

cal spot market quoted ₹224 and that went up to ₹228.

The rise in NR price has reflected in a sharp increase in consumption of SR in India, where NR is predominantly used for industrial applications.

The low price of SR, compared to NR, for the last couple of years has forced tyre majors to make a switch to SR. The relative share of consumption of NR and SR in India changed to 73:27 during 2009-10 from 75:25 during 2008-09.

NR and SR prices usually move in tandem with each other as they are inter-dependent substitutes.