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Apollo Tyres to hike prices by 5% in June

fe Bureau

New Delhi, May 4: Delhi-based Apollo Tyres will hike prices of its finished rubber products by 4.5%—5% across segments in June as its margins have come under severe pressure because of spiralling rubber prices. The company said it was left with no other option but to increase prices. In April, it hiked prices by 2%, followed by a 3.5% increase in May. So, it will be the third consecutive monthly increase in June.

Vice-chairman and MD Neeraj Kanwar said, "Overall, the industry is under severe pressure because of rubber prices. Besides, there is very little the industry can do when there is an inverted duty structure in place." Kanwar was referring to the 20% import duty imposed on raw rubber and only 10% duty on finished rubber products.

In less than two years, rubber prices have more than doubled. From around Rs 65 per kg in December 2008, prices have gone up to

Not on a roll



THE FIRM'S PROFIT MARGINS HAVE DROPPED BY 50% IN THE LAST 12 MONTHS

Rs 170 per kg in April 2010. Kanwar said that till a year back, when prices were around Rs 80 per kg, Apollo's profit margins were around 11-12%. However, due to the price rally in the last 12 months, margins have dropped by 50%.

He later told *FE* that the company did not rule out further hikes in future. "The industry has to increase selling prices by 20-25% (to keep its margins)... This is a steep hike, but we have to pass it on to customers," he said.

Kanwar also said that the labour troubles at the company's plant at Peram-

bra in Kerala would be sorted out soon following attempts made by the state government. "The problems were a bit disturbing for the company... but the government (of Kerala) has been helping us and we feel that a resolution would be reached by month-end," he said.

Meanwhile, All India Rubber Industries' Association, Indian Cycle and Rickshaw Tyre Manufacturers' Association and Automotive Tyre Manufacturers' Association on Tuesday urged the government to intervene in the rubber pricing issue.