

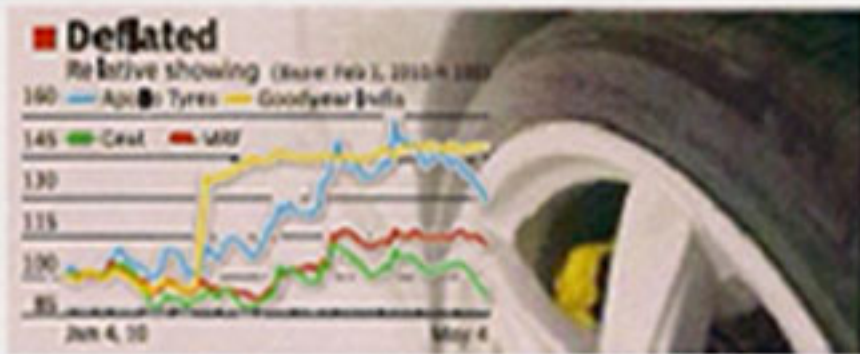
SEEK DUTY INTERVENTION, THREATEN TO HALT RS 19,000 CR EXPANSION PLANS

Coshed by rubber, tyre makers scream

Sindhu Bhattacharya, New Delhi

The tyre industry has threatened to withdraw or at least delay plans to invest about Rs 10,000 crore in capacity expansion unless the government helped it combat rising rubber prices through duty intervention. The investment is over and above the Rs 9,000 crore already committed to expand capacity for truck and bus radial tyres.

"Natural rubber accounts for 60% of the total raw material cost for tyres. In the current situation, I fear many large tyre makers, which have announced fresh investments (greenfield and otherwise) of Rs 19,000 crore to cater to the growing demand for automotive tyres, will be forced to defer or go slow," said Neeraj Kanwar, chairman of the Automotive Tyre Manufacturers Association (Atma).



health of vehicle tyre makers to support his contention.

"Two years back, when rubber prices were Rs 125-130 per kg, most tyre makers were in the red. Last year, when they fell to Rs 80-90 per kg, the weighted average industry Ebitda margins were 11-12%. But in the fourth quarter of last fiscal, prices were back to Rs 125-130 before touching Rs 170 per kg and Ebitda margins have already eroded by 50%," he said.

Rummy Chhabra, president of the Indian Cycle Rickshaw

tion, concurs.

He said margins in his business are negligible now because of the unnatural rise in rubber prices.

So what is the way out?

Kanwar said tyre makers need a 20-25% increase in selling price to original equipment manufacturers as well as to the after-market if they are to circumvent the current high raw material prices. "But this quantum of price hike is unrealistic. We have no option but to introduce small price hikes continuously," Kanwar

The industry demand

- Bring down natural rubber import duty to below 7.5% (from 20%) so that it is realistic vis-a-vis finished products
- Exclude rubber from negative list in various regional trade agreements
- Ban futures trading and exports of natural rubber and encourage exports of value-added rubber products
- Abolish cess (Rs 1.50/kg) on natural rubber

Apollo hikes prices again

Apollo Tyres plans to increase prices by 3.5% in June, just a few days after it announced a similar hike. The action comes amid rising natural rubber prices and a go-slow agitation at its Kerala plant, where production is down by over 65% to 100 tonnes a day. "From May 1, we have increased tyre prices by 3.5% and going forward in June also there will be an increase of 3.5%," vice-chairman and managing director Neeraj Kanwar said. The increase is for both OEM and retail supplies. Apollo's passenger car tyre prices range between Rs 1,200 and Rs 10,000 while commercial vehicle tyres come for Rs 8,000-15,000 per unit.