STATESMAN N.D 5/5/18

PCBL lines up ₹900 crore for capacity expansion

STATESMAN NEWS SERVICE
KOLKATA, 4 MAY

Phillips Carbon Black Limited (PCBL), an RP-Sanjiv Goenka Group Company, has lined up a capital expenditure of Rs 900 crore for expansion programme. The company will set up a greenfield carbon black plant in Tamil Nadu and undertake brownfield expansion in two of its existing plants ~ Mundra and Palej ~ over the next two years, according to Mr Sanjiv Goenka, chairman of PCBL.

The new projects are expected to raise the country's largest carbon black maker's capacity by around 50 per cent to 7 lakh tons from 4.7 lakh tons at present.

Of the total Rs 900 crore earmarked for expansion, PCBL will invest Rs 600 crore for setting up the greenfield facility in Chennai and the balance Rs 300 crore will be invested for expanding capacity of Mundra and Palej plants.

The capacity of the Chennai plant will be 1.5 lakh tons and the facility is expected to get ready within two years, said Mr Goenka. Mundra plant will add an additional capacity of 50,000 tons and Palej plant's capacity will be scaled up by another 30,000 tons. Both the capacity expansion projects are expected to be completed by the end of next year.

Meanwhile, the company has reported its best-ever performance in the fourth quarter of financial year 2017-18. PCBL today reported a jump of 174 per cent in net profit at Rs 74 crore in the Q4 period ended March 2018 on the back of lower interest outgo, operational efficiency and higher sales.

The company's turnover during the quarter under review went up to Rs 2,658 crore from Rs 2,150 crore in the corresponding quarter of the previous fiscal.

For the full financial year 2017-18, Mr Goenka said profit rose by 228 per cent to Rs 230 crore over the previous fiscal.

Also, the company's debt has significantly come down to Rs 770 crore from 1,250 crore at the end of financial year 2016-17, the PCBL chairman informed.

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National rubber conference

NEW DELHI, 5 MAY

The All India Rubber Industries Association (AIRIA) is set to organise the national rubber conference 2018 during 7-8 May in New Delhi. The theme of this event is "Technology adoption and market expansion".

The event is envisaged as a major "platform for the rubber process and allied industry fraternity, especially in the MSME sector, based out of north India, to deliberate and find solutions to techno-commercial challenges...crucial to its performance", according to a statement issued by the AIRIA-northern region. The two-day conclave will be attended by participants, experts and stake-holders from rubber and allied industries as well as various technical and management institutions. SNS

BUSINESS STANDARD N.D 7/5/18

Tyremakers line up aggressive expansion plans

SHALLY SETH MOHILE
Mumbai, 6 May

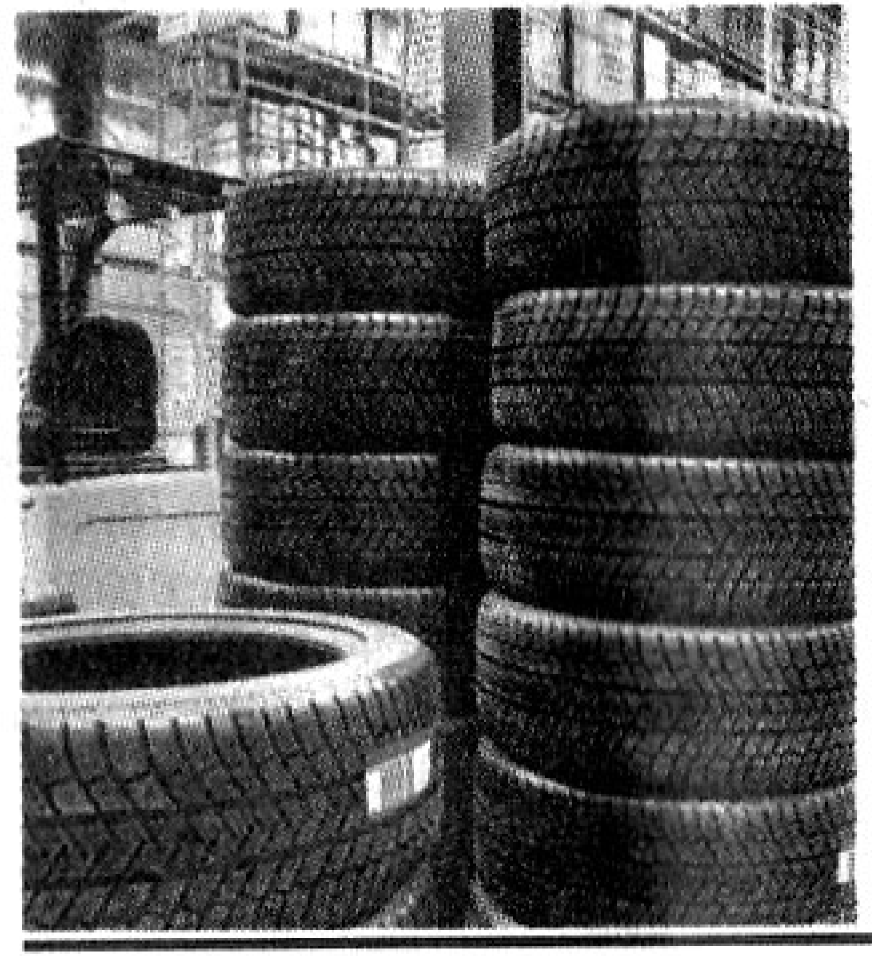
Tyremakers in India have lined up an aggressive capacity expansion plan to meet the growing demand from automobile manufacturers and replacement market after recovering from demonetisation and the GST (goods and services tax).

Tyremakers are expected to invest ₹136.4 billion in the next 7-10 years. A substantial portion of this expansion, the first in the past five to seven years, would be used for creating greenfield facilities.

RPG Group's Ceat Tyres plans to increase its existing output by 35-40 per cent. Besides ramping up its capacity for bus and truck radials at its Halol plant in Gujarat, it plans to set up a greenfield unit for passenger car radials, said Anant Goenka, managing director at Ceat. Ceat has earmarked an investment of ₹12-15 billion. "The demand from replacement segment as well as the original equipment manufacturers (OEMs) has been quite strong," Goenka said.

Fuelled by record two-wheelers and truck volumes, automobile sales in India have been expanding at a brisk pace month-on-month. The industry produced 29 million vehicles, (including all segments) a growth rate of 14.78 per cent over the same period last year, according to Society of Indian Automobile Manufacturers (Siam).

A strong order book from the export and domestic markets, government's stance on anti-dumping regulations and a relatively stable natural rubber price have boded well for the tyremakers. But a soaring crude oil price is set to mount pressure on profitability from the current quarter itself for most companies. Crude oil-based raw materials such as carbon black, account for close to 45 per cent costs for tyre firms.



ON A ROLL

	Investment (₹ bn)	Purpose
MRF	45.0	Greenfield facility in Gujarat
MRF	45.0	Greenfield facility in Chennai
Apollo	45.0	Greenfield facility in AP and Hungary + expanding existing units
JK Tyres	5.0	Expansion of existing units
Ceat Tyres	15.0	Greenfield facility facility + expanding existing units
Maxxis	26.4	Greenfield unit in Gujarat
Total	181.4	

Source: Companies

Crude oil prices have risen from an average $62 to $75, Goenka said.

But with robust demand from across all segments, most tyremakers have been passing on the incremental costs through price hikes, analysts said. "We expect raw material costs to increase by 3-4 per cent over the next two quarters due to recent increase in crude prices, which will require price increase of 2-2.5 per cent," Nishit Jalan and Hitesh Goel, analysts at Kotak Institutional Equities, said in a report.

Ceat's rivals MRF and Apollo Tyres, too, have been stepping on the gas with expansion with their facilities. In its first big expansion outside Tamil Nadu, MRF, a leader in bus, truck radial and two-wheeler tyres, has earmarked an investment of ₹45 billion in Gujarat over the next decade. It will be firm's ninth unit. Varghese Koshy, executive vice-president, MRF, could not be reached for a comment.

In January, Apollo Tyres said it was pumping in ₹18 billion in a new factory in Chittoor, Andhra Pradesh. With a capacity to make 5.5 million tyres a year, the unit will feed domestic and export markets and will go on stream in the next two years.

The investment in AP was part of a ₹45-billion capex outlined for 2017-18 and 2018-19. "The expansion in Chennai, is almost through," said Apollo Tyres spokesperson. The Chennai unit can now make 120,00 radials.

Rajiv Budhraja, director general at Automotive Tyre Manufacturers Association, said the expansion was overdue on two counts. First, the 5-6-year-old facilities had become saturated. Second, since the last couple of years, the demand from auto firms was weak and the demand in the replacement market was affected due to the GST and note ban, he said.