

● **INTERVIEW: ANANT GOENKA**, managing director, CEAT

'Seen about 40% increase in raw material prices in the last one year'

Tyre manufacturer Ceat's third-quarter earnings were impacted by a 40% rise in raw material prices over the past 12 months, resulting in the firm recording its second quarterly net loss in a decade. The net loss surprised analysts, who were expecting the company to post a net profit. Further, the firm has earmarked a capex of ₹800 crore for this financial year and ₹700 crore for next financial year. Anant Goenka, the company's managing director, tells Rajesh Kurup that the firm is scaling down investment for its Truck and Bus Tyre (TBR) plant in Chennai. Edited excerpts:

Ceat posted a third-quarter net loss of ₹20.18 crore. Was this due to the rise in raw material prices?
We have seen about a 40% increase in raw

material prices in the last one year, but were not able to pass it on to customers. That's what accounted for the impact on margins. This quarter, we saw a 4-5% increase in raw materials, which may come down to 2-3% in the next quarter. For us, raw material is 50-60% crude derivatives and about 30% is rubber. Rubber has stabilised, but crude is continuing to inch up.

This means that there is another price hike in the offing?

The pressure is there to take the prices up, as demand is also a little bit weak on the replacement side. The coming quarter would also be a challenging one for us.

How is the original equipment market (OEM) market doing?

We are optimistic on the OEM market, especially on the commercial vehicles side. On the OEM side, the pricing is fixed on a formula basis, and if raw material prices go up, that gets passed on to OEMs, helping in retaining margins.

On plans to reduce your debt and capex plans?

We have a debt of over ₹2,200 crore. We are working on controlling our working capital and also to earn more profits, and we expect the debt to come down in the next two quarters. We have capex plans of ₹800 crore for this financial year and ₹700 crore for next fiscal.

Ceat was planning to invest ₹1,200 crore in a truck and bus tyre (TBR) plant in



Chennai. What's the status?

We have revised the investment in the TBR plant to ₹700 crore, and we have delayed commissioning of the plant by another six months. The investments have been downsized because of a slowdown in the

replacement segment. As and when demand picks up, we will re-look at the investments. It would take another 12-15 months for the plant to be operational.

The passenger car tyre plant, also in Chennai, is already up and running.

The auto sector is plagued by myriad issues, ranging from rising raw material prices, fuel price hikes and chip shortage. When do you see the industry tiding over these?

It's difficult to give an answer for that. The chip shortage is something that can take another six months to get resolved, and with respect to crude there is no clear prediction. The end goal is not to hike prices but expect crude prices to come down. The international market is looking very

strong for passenger cars and trucks, because people are moving away from China and they want an option outside of China. India is emerging as a great option for them to invest.

You were also looking at setting up a captive solar plant?

Yes. Already, about 20-25% of our energy requirements are coming in from solar power. The plans to set up a captive solar plant are also underway.

Your expectations for the industry on the Budget?

I am hoping that tyres are included in the Production Linked Incentive Scheme (PLI) scheme. I am not sure if it is a Budget issue though.