

'Tyre firms' capex may increase to Rs 5K cr this fiscal'

Mumbai: The capital expenditure of tyre makers is expected to increase to around Rs 5,000 crore this fiscal on the back of improving demand, as against around Rs 3,700 crore annually in the preceding two fiscals, according to a report by rating agency CRISIL.

The demand is likely to be driven by segments such as replacement, commercial and passenger vehicles (CVs and PVs), along with exports, the credit ratings agency said, adding that credit profiles of tyre makers are expected to remain "stable".

The report is based on the analysis of the top six domestic tyre makers, who account for 80 per cent of the Rs 75,000 crore of the sector, CRISIL said.

However, with capacity utilisation still below 70-75 per cent, capex this fiscal will be lower than the annual average of around Rs 6,200 crore between 2018 and 2020, it said.

Meanwhile, production volume growth at tyre companies is set to halve to 6-8 per cent this fiscal to around 2.5 mn tonnes, compared to 12-14 per cent last fiscal.

According to ratings agency, the moderation will be on account of growth last fiscal benefiting disproportionately from the low-base effect created by the preceding two fiscals, when volume had contracted due to economic slowdown.