

Tyre-makers seek duty-free import of natural rubber

Also want ban on exports and futures trading

Our Bureau

New Delhi, May 4

Under margin pressure due to the rising prices of natural rubber, the end-user industries have asked the Government for duty-free import of two lakh tonnes of rubber through a Government agency, besides a ban on exports.

The user-industry hopes that with more natural rubber earmarked for domestic use, the prices would drop or at least stabilise.

Mainly consisting of tyre companies, besides small enterprises making products like shoes and household items, the user industries have also asked for a ban on futures trading in rubber, besides a lowering of the import duty to 10 per cent from 20 per cent and an increase in the import duty for finished products.

The joint appeal of the Automotive Tyre Manufacturers' Association (ATMA), All India Rubber Industries Association (AIRIA) and Indian Cycle and Rickshaw Tyres Manufacturing Association has been sent to the Finance and Commerce Ministries. The delegation has also approached the Planning Commission after it met the Prime Minister, Dr Manmohan Singh, in February this year.

Mr Neeraj Kanwar, President, ATMA, said that the rise in prices is mainly due to the boom in the automotive sector which has led to huge rise in the demand for rubber from tyre manufacturers. Natural rubber production, however, has not gone up equally. He added that spec-

ulation in trading and high international prices of the commodity are further fuelling a price increase.

"In the last year, when rubber prices were at Rs 80-90 a kg, our margins stood at 11-12 per cent. This year, because of the high prices the EBITDA has come down drastically. To circumvent a price of Rs 170 a kg, the tyre industry would need to raise prices 20-25 per cent," he said.

He added that the Rs 19,000-crore investments of the tyre industry to expand capacity may get delayed if the margins do not improve enough to generate free cash flows.

According to Rubber Board data, average monthly natural rubber (RSS 4) prices have gone up to Rs 149.48 a kg in March, from Rs 137.72 a kg in January. It had then touched a high of Rs 167.92 a kg on April 24 - 22 per cent higher than January average prices - before falling to Rs 165.30 a kg on May 1. The price as on May 4 is Rs 159.50 a kg.

Mr T.K. Mukherjee, President, AIRIA, said that consumption in 2010-11 is projected to go up by 20 per cent, while production would only rise 5-6 per cent.

"The Rubber Board estimates the current cost of production at Rs 50 a kg against the Rs 170-a-kg retail price. The Government should do its own investigation through the Bureau of Industrial Cost and Prices," he said.

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Mr Neeraj Kanwar, Chairman, Automotive Tyre Manufacturers' Association, flanked by Mr Rummy Chhabra (left), President, Indian Cycle and Rickshaw Tyres Manufacturing Association, and Mr T.K. Mukherjee, President, All-India Rubber Industries Association, at a press conference in the Capital on Tuesday. — Kamal Narang

Apollo Tyres to increase prices again by 4% in June

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Apollo Tyres Ltd said on Tuesday that it will increase tyre prices by 4 per cent in June after already hiking prices by 3.5 per cent from May 1 onwards. The successive hike in tyre prices is due to the increase in the costs of inputs like natural rubber (RSS 4 grade) and crude oil.

Citing similar input cost pressures, the tyre maker had increased prices 2-4 per cent in April and 3-5 per cent in January. Rubber contributes to 40 per cent of

the total cost of the tyre.

Mr Neeraj Kanwar, Vice-Chairman and Managing Director, Apollo Tyres said, "We have already increased prices by 3.5 per cent on May 1 and intend to increase it further by another 4 per cent in June."

Asked if Apollo had passed on the entire rise in input costs to the consumer, Mr Kanwar said, "The current gap between the natural rubber prices and our tyre price hike is another 15 per cent, but we cannot increase prices indiscriminately as we also

have to look after the interests of our main customer - the transporter."

On the go-slow by workers at the Perambara plant in Kerala, Mr Kanwar said that production has dipped by over 65 per cent to 100 tonnes per day from 300 tonnes per day earlier. He added that the agitation had begun in mid-April over wage settlements and should be over by this month.

Apollo Tyres shares at the BSE fell 3.07 per cent to Rs 66.20 on Tuesday.