

Tyre cos keep rolling on replacements

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Chennai: Growth in the tyre after-market, or replacement of worn out ones, along with exports have helped tyre makers buck the slowdown in the automotive industry, which is in the throes of the worst demand slump in 20 years. The segment expanded by a single digit in April-June after closing FY19 with 11% more revenues.

The Automotive Tyre Manufacturers' Association (ATMA) says that the after-market accounts for more than 60% of their entire business. Despite a sharp slowdown in orders to original equipment manufacturers (OEMs), this replacement demand has remained consistent, allowing tyre companies to tide over the slowdown.

HOPE IN TIMES OF SLOWDOWN

► The after-market tyre segment posted small single-digit growth in Q1 after closing **FY19 with 11% increase in revenues**

► The segment has been seeing a steady growth of **4-6%**

► The after-market segment comprises **50% of the**



motorcycle tyre market, 46% of cars, 53% of LCVs and 67% of truck & bus tyres, says ATMA

► It makes up for over **60% of total tyre sales**

"This segment has done much better than the OEM-led demand. This is true of FY19 and in the April-June quarter too, when the after-market demand boosted sales, allowing the industry to post single-digit growth. This, despite the fact that Q1 of previous fiscal saw healthy demand from vehicle makers. July has also se-

en good after-market demand. After-market and exports have helped the industry during the slowdown," said JK Tyre marketing director Vikram Malhotra. "The after-market is growing at 4-6% and it has been pretty steady. The impact of the slowdown on us softened due to the replacement side remaining robust," agreed Goo-

dyear India VP (consumer business) P K Walia.

Not surprisingly, tyre production has actually gone up by 8% in fiscal 2018-19, ATMA data showed. Tyre makers are matching production to demand from vehicle makers. "We do have to curtail production to allow for reduced OEM schedules, we are not laying off temporary workers due to the after-market demand," said Walia.

Tyre companies are more concerned about raw material sourcing. With the Kerala floods and the rupee depreciation, raw material costs will start to pinch soon. "Production of Indian natural rubber was impacted after last year's flood in Kerala and since then we have lost a lot of plantations. There is already a shortfall in local natural rubber sourcing," said Malhotra.