

Tyre firms skid to net loss in Q3 on high raw material costs

GEORGE JOSEPH
Kochi, 22 February

The tyre industry plunged into red during the third quarter (Q3) of the current financial year registering a net loss of ₹32.1 crore, against a net profit of ₹178.8 crore in Q3 of the last financial year.

All leading eight companies, except MRF, registered a fall in net profit, led by Birla with a loss of ₹182.05 crore. Only MRF registered an improvement in profit at ₹112.9 crore, against ₹102.2 crore in Q3 of 2010-11.

According to experts the sharp increase in prices of raw materials, slowdown in demand and import of cheap tyre from countries like China had badly hit the profitability of the domestic tyre sector. They noticed more companies might be in the red when the current financial year closes due to

cost escalation. The industry had raised tyre prices five times last year, making them costlier by 10-15 per cent. The move was aimed at compensating the increase in input costs. But, the sharp rise in prices of raw materials like natural rubber had offset the advantage of the price rise and affected the industry as a whole.

"The bottomline of the tyre industry continues to be under pressure since the last 8-10 quarters. While the topline growth has been positive and healthy, continuous rise in commodity prices, especially natural rubber, has severely impacted profitability across the industry and is a matter of concern," said Rajiv Budhraj, director general, Automotive Tyre Manufacturers' Association (Atma).

"We expect raw material and input cost pressures will not be as intense as seen in the last few quar-

LOSING GRIP

Net profit of tyre companies in the third quarter (in ₹ cr)

Company	2010-11	2011-12
Birla Tyres	15.26*	182.05*
Apollo Tyres	54.10	42.57
Ceat	5.01	2.39
Falcon	13.7	6.81
TVS Srichakra	9.92	6.64
JK Tyres	9.14	21.13*
MRF	102.20	112.90

*Figures indicate net loss
Source: Companies



ters, thereby, bringing the much needed respite for the industry. We also hope growth in tyre demand across segments, especially in the passenger category, will improve leading to robust growth in revenues," Budhraj added.

There was a moderate increase in the net sales of the industry in Q3. According to data by Atma, the combined sales of six major companies increased 20 per cent, from ₹7,566 crore to ₹9,097 crore. But, this jump was not reflected in the

margins of the companies.

So, net profit as a percentage of net sales of all the companies dropped in Q3. Birla and JK Tyres suffered the most as the percentage was negative for these companies. For Birla this was minus 16.99 per cent and for JK this was minus 1.50 per cent. So, for the overall industry, net profitability fell to minus 7.1 per cent during Q3 of the current financial year.

The sharp increase in the prices of natural rubber, the major raw material, was a big blow to the sector. Prices rose from ₹135 a kg in December 2009 to ₹203 a kg in December 2011. Prices of all other major inputs too, increased during Q3. The price of carbon black increased 28 per cent, rubber chemicals up eight per cent and bead wire up 10 per cent on average. Prices of synthetic rubber were also up on account of high crude oil prices.