

Hit by domestic slump, tyre makers burn rubber abroad

With the domestic automobile market continuing to see signs of slowdown, tyre manufacturers are de-risking their business by stepping up investments to expand operations in international bases.

While JK Tyre and Industries Ltd has earmarked an investment of Rs 80 crore to increase production at its facilities in Tonal (Mexico), Apollo Tyres Ltd has committed an investment of around Rs 2,500 crore for two new manufacturing units in Eastern Europe and Latin America.

“We are running out of capacity in Mexico as we have started supplying tyres to original equipment manufacturers such as Volkswagen, Nissan and Chrysler. We will be investing around \$15 million (Rs 82 crore on Saturday) to increase capacity to 7.2 million units per annum from the current 6.7 million tyres,” said Arun Bajoria, president and managing director, JK Tyre.

With the tyre market in India showing signs of stress due to decrease in demand from car makers on the back of slow sales, JK Tyre is aggressively pushing exports to Latin America, North America and West Asia from its Mexican subsidiary.

“In the wake of a typical phenomenon of the recent years, where economic situations keep fluctuating in different parts of the globe, this was a strategy to attain a model where a less satisfactory performance in one corner can be balanced out by a better one elsewhere. Positioning ourselves in one of the economically emerging zones has really worked well,” Bajoria added.

The international business for the company is expected to bring in around Rs 2,800 crore in 2012-13, nearly treble the Rs 1,018 crore it made in the previous financial year. While Rs 1,600 crore alone is set to come in from sales from Tonal, Rs 900 crore is expected in revenues from exports out of India. The remaining Rs 300 crore will come from made-in-China tyres sold under the JK brand out of Dubai.

At Apollo Tyres too, the demand pull in markets in Europe and Africa helped in off-setting slow sales in India in the current financial year.

Said Neeraj Kanwar, vice-chairman and managing director, Apollo Tyres: “The overall growth of five per cent, the lowest since 2003-04, is clearly a cause for concern. As a result, we have seen sluggish demand in the OE (original equipment) market. However, the positive demand in the replacement market has helped us offset this. One of the key strategies we have followed in the Indian market is to relook at our product /customer mix and offer higher value-added products like truck and bus radials. The other strategy has been to de-risk our dependence on a single market.”

Today, Apollo Tyres sells its products in over 118 countries and we are creating newer markets across various geographies. In fact, in the December quarter, the company recorded as much as 37 per cent of its revenues from operations in Europe and Africa. Revenues from Indian

operations (sales and exports) were pegged at 63 per cent of total sales in the same period.

JK Tyre has six plants across the country and three plants in Mexico with a combined capacity to produce 20 million units per annum.Business
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