

Booming car sales not a boon for tyre companies

KOCHI: Boom in passenger car sales has failed to cheer the tyre industry as the medium and heavy commercial segment continues to show sluggish growth.

With the expected demand not happening and naturalrubber supply getting tight in the local market, the tyre makers are keeping a low inventory.

The tyre industry depends more on the heavy vehicle sector for its growth. According to the Automotive Tyre Manufacturers' Association (ATMA), during April-October 2012, the medium and heavy commercial vehicle segment was down by 16%. The passenger car sales were up by 3% for the period. Of this, the utility vehicles had the best growth of around 38%.

"Considering the current trend, we feel that December too will be a washout. We were expecting a momentum in the last quarter when the automobile companies usually push sales aggressively," said ATMA director general Rajiv Budhraj. Since the new vehicle sales have not risen to the expected level, the existing fleet has to carry more loads. Consequently, the replacement sector is doing reasonably well.

The tyre makers are keeping a low inventory of less than a month because of tepid demand and tight supply in the domestic market. Though it is the peak harvest season, evening rains have disrupted rubber tapping, leading to a lower production. In October, the rubber production fell by over 3% to 86,300 tonne compared with the same month last year.

At the same time, the consumption for the month went up by 8.5% to 83,000 tonne, according to the Rubber Board figures.

Rubber availability has shrunk as the growers are reluctant to release the stock with prices ruling below Rs 175 per kg.

"Considering the drop in production and the diminished stock in the market, the rubber prices may rise in December. A price level of Rs 190 per kg may be remunerative for the growers," said a leading rubber dealer.

Meanwhile, global prices continued to move in the lower range despite the efforts by major producers Thailand, Indonesia and Malaysia. China, the leading consumer of rubber, is buying less.