

Rubber growers hold stocks as local prices fall

BANGALORE: Domestic natural rubber prices have fallen below the global levels after a long time prompting growers to hold the stocks and squeeze the supply. Though tyre makers are battling a subdued demand, they have no option but to depend on imports to meet their requirements.

With the prices of a key component falling, it remains to be seen whether the tyre industry goes for a price cut to boost sales. The domestic price touched a low of Rs 160 per kg last week, down by nearly Rs 5 from the international level.

It rose marginally to Rs 161.50 per kg on Monday. Domestic prices are touching the Rs 160 mark after more than two years. A peak production phase, rising imports and a persistent sluggish sentiment in the international market have affected the domestic prices. Though rubber is the key component in tyres, tyre makers do not seem to be keen on a price cut immediately.

“In my opinion, this is only a temporary drop. Traditionally, domestic natural rubber (NR) prices have been marginally ahead of international prices, and we expect that it will catch up soon,” said Neeraj Kanwar, vice chairman and MD of Apollo Tyres. BSE -1.45 %. Imports have jumped this year as supply was insufficient in the earlier months. Shipments showed over 30 per cent rise till October.

The tyre industry reckons imports could touch around 2.5 lakh tonne in 2012-13, about a 20 per cent increase over the previous year. According to Neeraj Kanwar, most of tyre manufacturers opted for NR imports when domestic availability of NR was low.

This resulted in a drop in domestic demand for NR, which in turn led to a fall in NR prices. “In addition to imports, a slowdown in the industry has hit consumption pulling down the prices,” said Vinod Simon, president of All India Rubber Industries Association, who felt that growers would not release stocks at current prices.

According to a rubber dealer, growers could hold the stocks till prices edge up to Rs 170 or more, which may not happen till the end of the month as consumption has become sluggish.

From April to October, consumption grew by 5.9 per cent but production rose a mere 0.3 per cent. But the growth in consumption has declined in November and December. “The sentiment in international market has been mirrored in Indian prices.

Last year too, imports were high but Indian rubber prices stayed above global prices,” said Rajiv Budhraja, director general, Automotive Tyre Manufacturers’ Association.