Tyre prices brake on stable rubber; exports to boom: Ceat

Manish Dugar, CFO, Ceat says that with rubber pricesremaining stable over the last 4-to-5 months on a strong demand-supply situation it is difficult to expect any fall in tyre prices. Exports constitute 24 percent of the tyre-manufacturer's total revenue and growth in exports continues to improve in markets like Indonesia and Italy.Below is an edited transcript of the interview on CNBC-TV18Q: Rubber prices remained stable till Thursday when a lot of Asian rubber stocks rallied on the hopes that Thailand, perhaps one of the largest producers of rubber, was going to remove the subsidies for rubber which would cause a likely fall in natural rubber prices. Are you expecting a fall in rubber prices? What is your overall outlook on rubber prices?A: Rubber prices have been stable for the last 4-to-5 months. It was expected that after the tapping season and Christmas, prices would harden but they remained at the same level. It is interesting to note that domestic rubbers prices are lower than imported rubber prices even without the duty. Probably, it is primarily because of the demand-supply equation. We expect the rubber prices to harden in the near future, but it certainly does not look like going down any further.Q: With demand not being exactly bright and lower prices, is there a risk that somebody will pick up the gambit of cutting the prices?A: Pricing is very sectoral within the tyre business. The truck- and bus-tyre segment is different compared to the consumer segement where quality and brand are key factors. If rubber prices remain at current levels, I do not see tyre prices drop.Q: So there needs to be a further cut in rubber prices for tyre prices to fall?A: That is right. The profitability of the companies which was announced recently does not evince any significant variance because material prices have been high and the interest costs have not helped either. I would say that a further cut in rubber prices may lead to some cut in prices in the commodity sector (truck and bus tyres) but in the consumer segment, I do not expect any cut in prices.Q: What about exports? What percentage of your revenue comes from overseas markets and how have those markets held up?A: Exports constitute close to 24 percent of total revenue. There were some markets where we faced some challenges, but they have been overcome. The revenues have turned healthy with decent growth in export revenue. In fact, even the OEM (original equipment manufacturers) segment delivered decent growth contrary to what most of our peers had to face and the slump in the auto sector. We expect the OEM segment and exports to drive growth in the coming quarter.Q: Any improvement in export demand?A: We see the growth in exports primarily in markets like Indonesia and Africa. The situation in Brazil has begun to improve. We have a significant focus on Sri Lanka and Bangladesh and expect those two markets to deliver excellent performance.moneycontrol.com