

## 'Demonetisation, GST have impacted industry'

But JK Tyre will ride out the tough phase, says CMD Raghupati Singhania

**S RONENDRA SINGH**

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JK Tyre & Industries Ltd's first quarter results were reflective of the issues faced by the tyre industry – a challenging business environment, compounded by sudden developments on the policy front and continued dumping of cheap Chinese tyres.

However, JK Tyre is optimistic about its businesses not only in India, but also across the world, CMD Raghupati Singhania told *BusinessLine* in an interview. Excerpts:

**The last three quarters have not been good for JK Tyre. What do you think are the reasons?**

The year has been the best, with both opportunities and challenges on several fronts. Demonetisation, the GST rollout and a steep rise in raw material costs had some impact on the industry.

However, JK Tyre has weathered the turbulence well. It is true that during this time, the company reported single-digit volume growth, revenues were relatively flat and there was some decline in our bottomline.

However, strategic planning and a persistent approach ensured that we maintained our position as a market leader in the truck/bus radial segment. With the smoothening of GST issues, the industry will register positive growth and we are sure of a good show.

**What's your go-to market strategy to maintain growth in the current situation?**

To sustain growth in the truck/bus radial tyre segment,

we launched a multi-level brand strategy. While 'JK Tyre' continued to cater to the premium segment, the 'Vikrant' brand was leveraged to meet the requirements of the mid-segment.

A new brand 'Challenger' was launched in the value segment. With this, we have a complete range for every segment.

Going beyond sales, today we provide complete cradle-to-grave solutions for truck/bus radials.

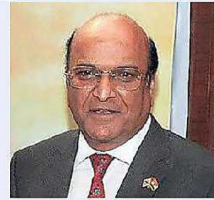
**How can the government provide an impetus to the industry?**

The government has announced an allocation of nearly ₹4 lakh crore for infrastructure development. More specifically, allocation for the construction and renovation of national highways was increased to ₹64,000 crore.

This, coupled with policy measures to facilitate faster road construction, will strengthen the road transport infrastructure. This, in turn, will enhance the offtake of all kinds of tyres.

In a short time, GST is showing signs of facilitating movement of goods across the country in a unified market. As the market evolves, there will be opportunities to enhance efficiencies in the supply chain, thereby reducing the cost of operations. This will generate OEM demand for passenger car and two-wheeler tyres in particular, which will boost the replacement tyre market.

**You have been a prominent voice against the dumping of Chinese tyres. How bad is the situation?**



*"The tyre industry is one of the few remaining ones that are subject to inverted duties, a subversion we have been asking the government to correct."*

**RAGHUPATI SINGHANIA**  
CMD, JK Tyre & Industries

This is not only about imports from China, but also other Asian countries with whom India has free trade agreements (FTAs). This issue is more glaring in the Indian tyre industry, where almost 80 per cent of imports are at concessional duties, eroding a significant part of the market for the domestic industry that has already undertaken large-scale capacity additions with huge investments of nearly ₹45,000 crore in the past few years.

To make matters worse, natural rubber, the most important raw material for tyres, has to be imported due to domestic non-availability, but is included in the negative list with the same FTA partners.

Therefore, the finished product enters the Indian market under concessional duty, whereas the raw material is not eligible for any concession in custom duty – a classic case of inverted duty structure.

In fact, the tyre industry is one of the few remaining ones that are subject to inverted duties, a subversion we have been asking the government to correct.

**What is the capacity of your plants right now?**

We have 12 manufacturing plants – nine in India and three in Mexico. Our total capacity is 33 million tyres per annum.

**As competition rises in radial and tubeless tyres for passenger cars from foreign players, what will be your USP?**

JK Tyre's continued emphasis on developing products using cutting-edge technology has helped it stay ahead in the competitive tyre market.

Our focus on innovation and R&D has helped us achieve superior product quality, higher manufacturing efficiency and lower costs, which have translated into higher consumer satisfaction. Our 'Blaze' range of two-wheeler tyres is unique – it is the only hybrid tyre in India that can be used both for tubeless and tube type applications.

**Are you looking for more acquisitions globally?**

We are open to an opportunity for tyre manufacturing facilities in emerging markets, if a viable proposition comes our way.