



# INDIAN RUBBER INDUSTRY ANALYSIS

JUNE- 2023

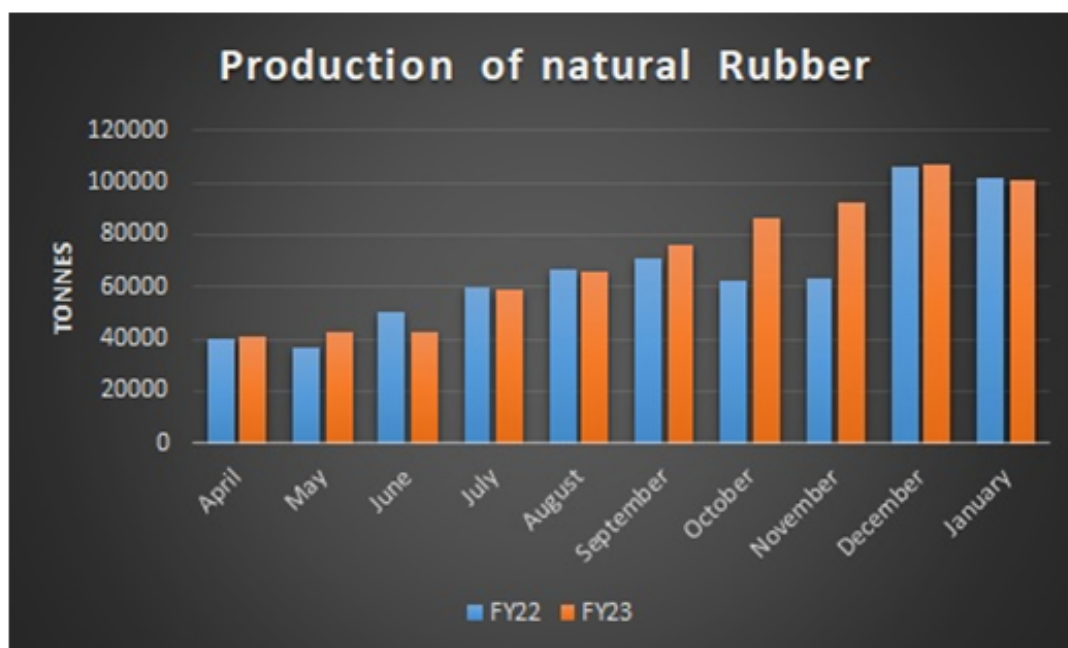


The Rubber industry has established itself as a major industry in India. India ranks high in natural rubber production. It is largely produced in Kerala but its production is growing in North-East India. Both Natural rubber and synthetic rubber play a complimentary role in providing the desired end properties to final rubber products made of it. The growth of rubber industry in India plays a significant role in the global economy. The production of rubber and products made of rubber is a large and diverse industry. Rubber industry is an important resource based industry sector in the world. It has witnessed a steady and strong growth over the years.

The constituents of the Indian Rubber industry manufacture more than 35,000 rubber products for different uses and applications. Involving different kinds of natural rubber, synthetic rubber and reclaimed rubber, the value-added rubber products include Tyres and Tubes, Automobile Rubber Parts, Belts and Beltings, Cables, Cots and Aprons, Rubber and Canvas footwear, Fenders, Gaskets, Hygienic & Pharmaceutical rubber goods, Mattings, Sports Goods, Rollers, building and construction etc. Sub-sectors of each of the above have a large variety of rubber products. In fact, in India tyres and auto rubber parts segments are driving the auto sector growth.

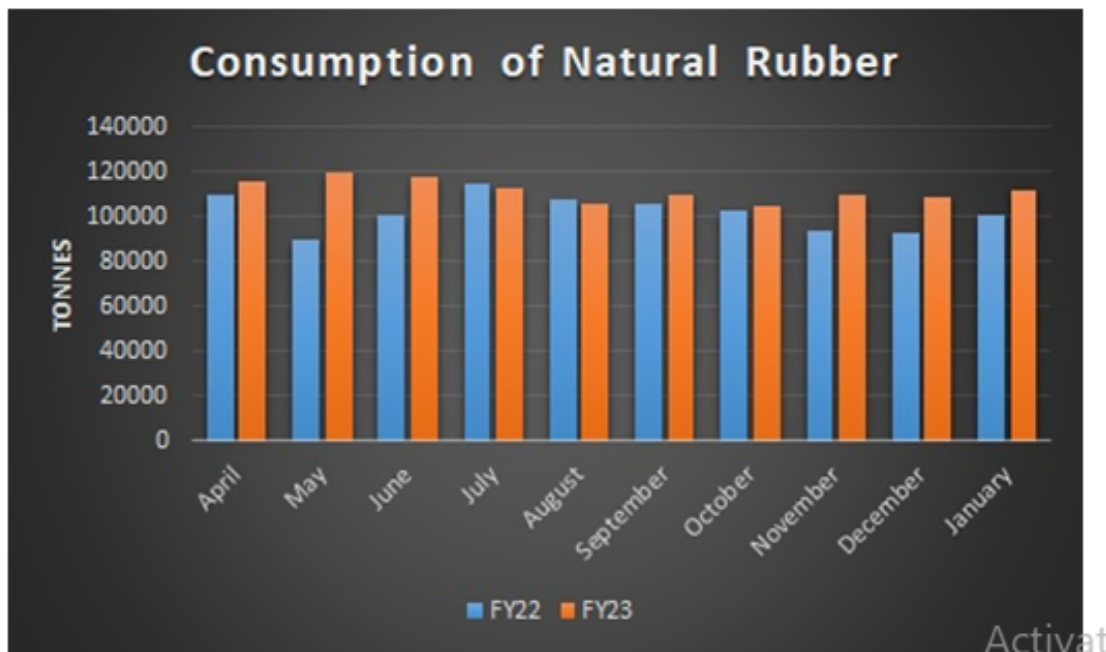
## PRODUCTION:

India is 6th largest producer of rubber in the world and is the 2nd largest consumer of rubber after China. The cumulative production of natural rubber increased 8.51% to 714000 tonnes in April-January FY23 as compared to 658000 tonnes in April-January FY22 on the back of massive demand from health care and automobile sector increased. Besides, the antibacterial characteristic of natural rubber is resulting in its increased utilisation to produce footwear and gloves that remain in close contact with the skin. Meanwhile, natural rubber production in India during January 2023 was 101,000 tonnes slightly decreased from that of the same month a year ago. Moreover, the domestic Synthetic Rubber (SR) Production during January 2023 was 46,140 tonnes and the cumulative SR production during April to January 2023 decreased 4.3% to 384,447 tonnes compared to 401,730 tonnes produced during the same period a year ago.



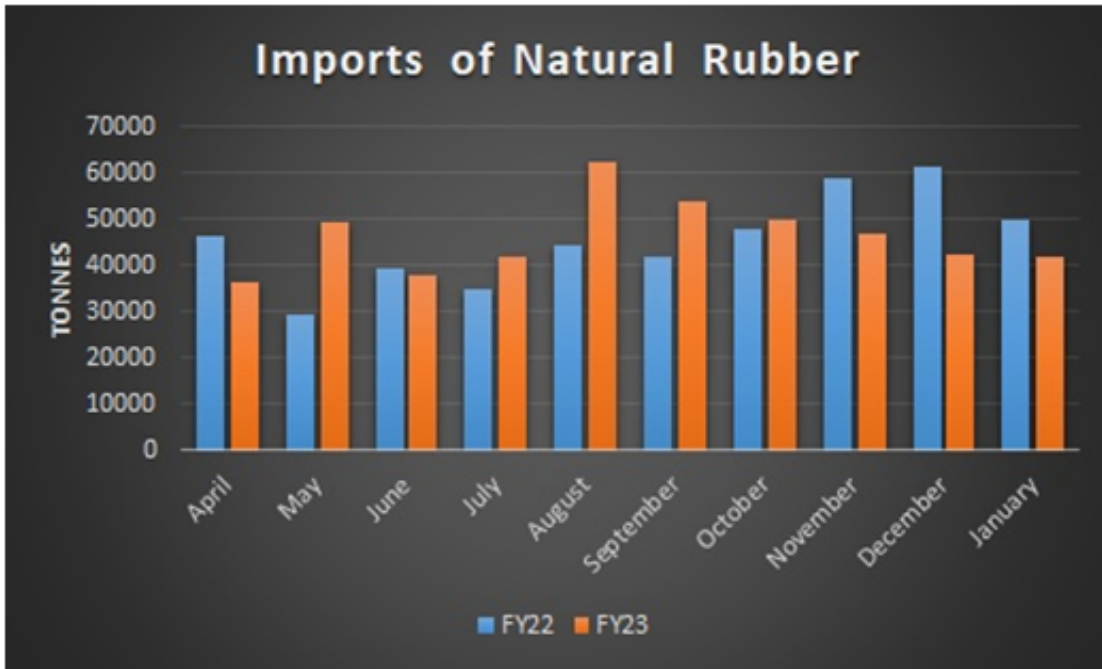
## CONSUMPTION:

The cumulative consumption of natural rubber increased 9.60% to 1119000 tonnes in April-January FY23 as compared to 1021000 tonnes in April-January FY22. The rise of natural rubber consumption was mainly on account of demand from automotive tyre manufacturers and general rubber goods sector. The consumption is moving at a faster pace than production, especially after the Covid-19 threats waned. Natural rubber consumption during January 2023 was 112,000 tonnes, increased by 2.8% from 109,000 tonnes consumed a month ago. Meanwhile, the country consumed 61,610 tonnes of SR during January 2023 and the cumulative SR consumption from April to January 2023 increased by 5.5% to 635,540 tonnes from 602,545 tonnes consumed during the same period a year ago.



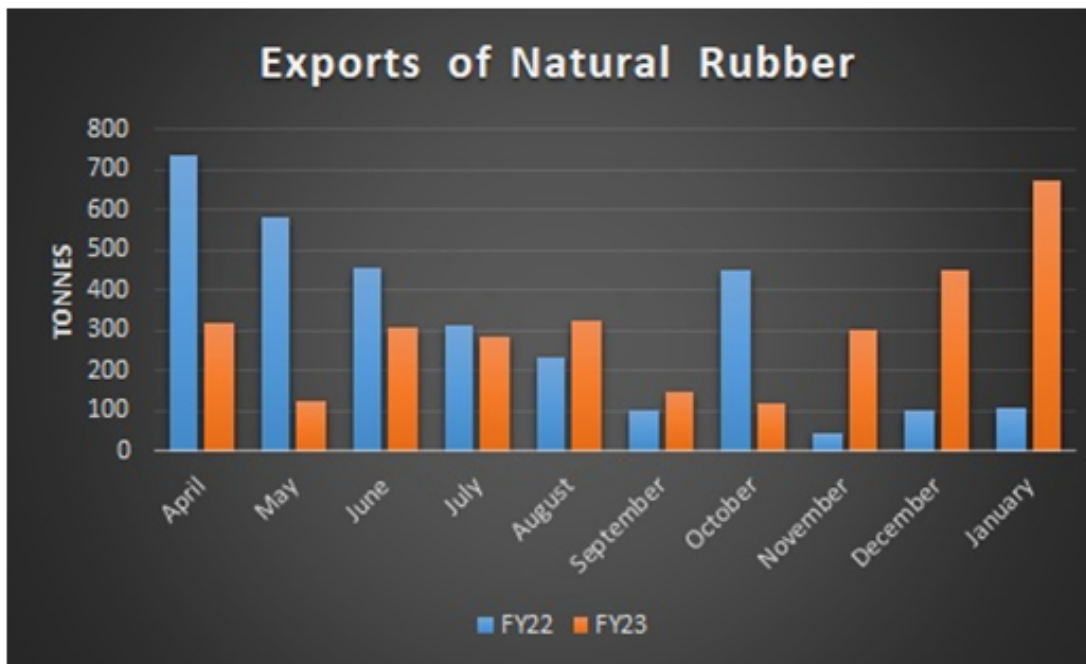
## IMPORTS:

India imported 42,060 tonnes of natural rubber during January 2023 making the total volume of import during April 2022 to January 2023 to 462,807 tonnes compared to 455,176 tonnes imported during the same period in the previous year, as marginal rise of 1.68%. The imports during the year remained very volatile as it witnessed a decline of 20.45%, 31.42% and 15.93% in November, December and January months of FY23 as compared to the same month last fiscal. However, May month reported the highest percentage imports of 69.36% followed by August, September and July which is 39.94%, 28.55% and 19.04% respectively as compared to the respective month last fiscal.



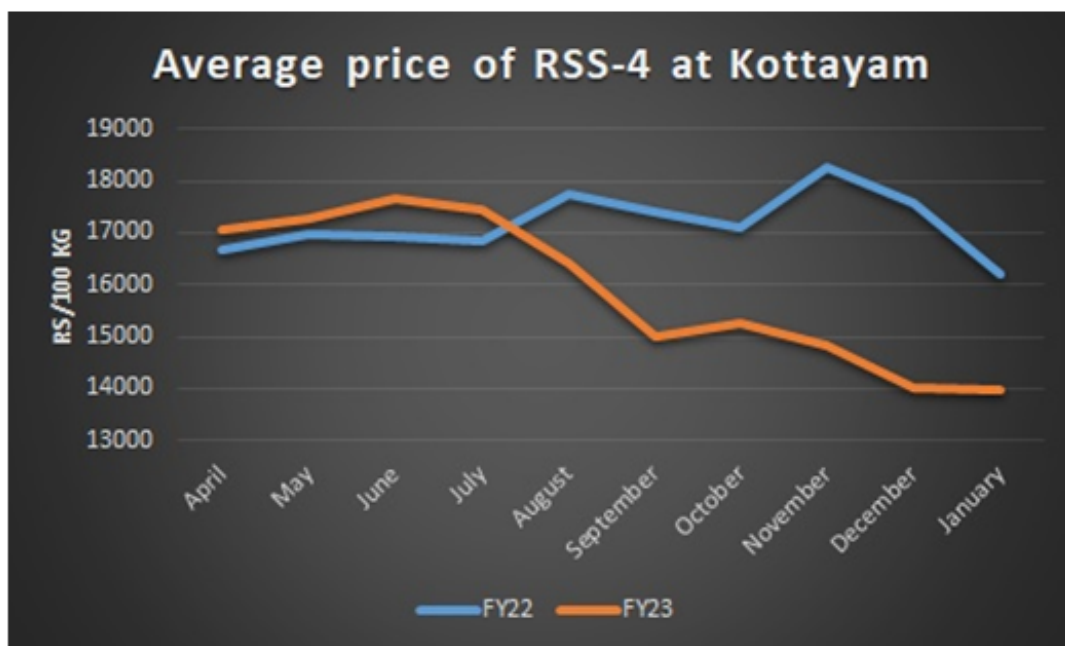
## EXPORTS:

The country exported 451 tonnes of natural rubber during January 2023 making the total volume of natural rubber export during ten months ended January 2023 at 2,442 tonnes, compared to 3,122 tonnes exported during the corresponding period of the previous year.



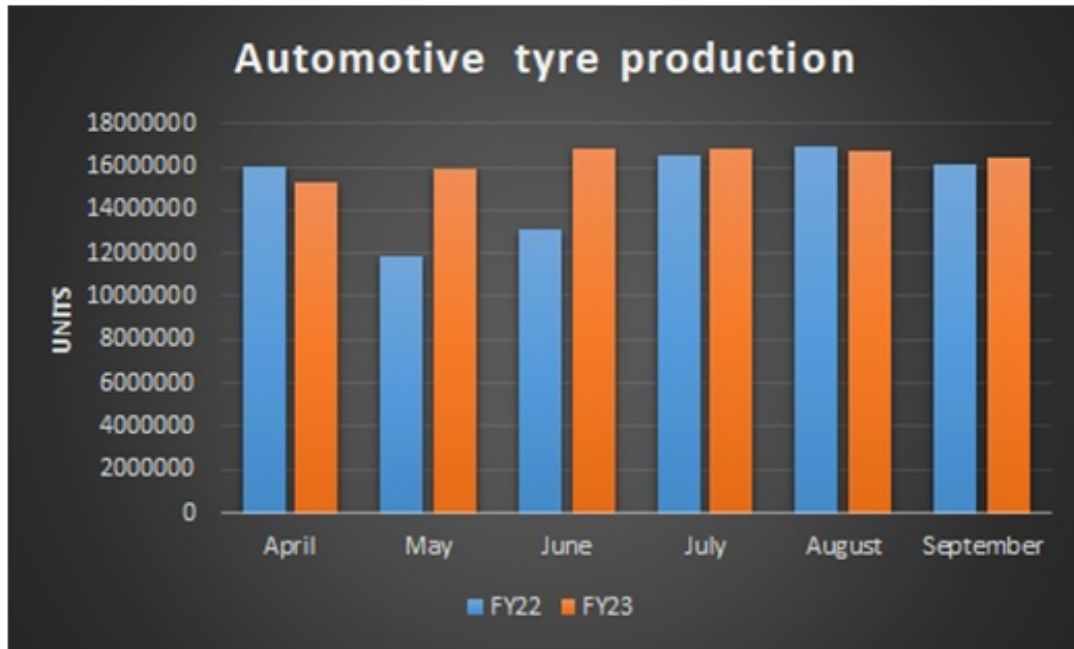
## DECLINING RUBBER PRICES; A CONCERN FOR INDUSTRY :

Prices of rubber declined over 18% to Rs 13996 per 100kg in January 2023 from Rs 17072 per 100 kg in April 2022. The prices continued coming down this year on account of higher inflation, weak Chinese demand and the European energy crisis. Moreover, the mass arrival of imports too has led to a crash in the Indian natural rubber prices. The declining rubber price in India is a reflection of what is happening in the international market. Rising inflation and the possibility of a global recession have increased regulatory pressures like hikes in interest rates which cut demand and reduced prices of natural rubber.



## HIGHER TYRE DEMAND WILL HELP RUBBER SECTOR :

India's booming auto sector driving production of tyres and tubes and in turn, rubber consumption. Automotive tyre manufacturers are the largest procurers of natural rubber in India. Tyre production in India increased 8.35% to 98042124 units in April–September FY23 as compared to 90490067 units in April–September FY22. The demand was immensely increased in May and June 2022 to 15938911 units and 16840346 units respectively as compared to 11840871 units and 13085679 units in May and June 2021, respectively. The growing demand for tyres is supporting the natural rubber market growth, especially in emerging nations like India and China. The Indian automotive industry is witnessing fairly decent growth and the entry of Electric Vehicles (EVs) also added demand for tyres. The sales of electric vehicles in the country witnessed a surge in the last two years. While 48,179 EVs were sold in 2020–21, the figures increased to 2,37,811 in 2021–22 and 4,42,901 in 2022–23 (till December 9). The government has implemented a scheme titled 'Faster Adoption and Manufacturing of Electric Vehicles in India Phase II' (FAME India Phase II) to promote adoption of electric/hybrid vehicles in the country. This will increase the tyre demand in coming time and ultimately helping rubber industry in future.



## GOVERNMENT INITIATIVE/ RECENT DEVELOPMENTS:

- **Insurance scheme for rubber plantations:**

1. The Rubber Board in collaboration with the United India Insurance Company is implementing an insurance scheme for rubber plantations. The scheme will cover plantations under North East Mission of Tyre Industry for Rubber Augmentation (NE MITRA) being implemented by the Board in the northeast and also plantations in the traditional rubber growing areas. The annual premium per tree is Rs 2. The maximum compensation per plant (one to seven years old) is Rs 300 and for tappable trees is Rs 1000.

- **Comprehensive Rubber Information System Platform launched:**

Navsari Agricultural University, Gujarat, launched the mobile app 'Comprehensive Rubber Information System Platform (CRISP)' developed by the Rubber Research Institute of India (RRII) in collaboration with the Digital University of Kerala.

- **Specialized training in Quality control of rubber and rubber products, product analysis and reverse engineering:**

The Rubber Board organized specialized training programme in quality control of rubber and rubber products, rubber product analysis and reverse engineering at the National Institute for Rubber Training (NIRT), Kottayam from February 20 to 24, 2023.

## OUTLOOK :

Indian rubber sector outlook looks optimistic in the coming time helped by increasing demand of automotive tyres. Rubber is a key material used in the production of tyres and other automotive components. The demand for tyres is expected to rise on the back of growing automotive industries in China and India. Moreover, the shift towards electric and autonomous vehicles is also expected to drive growth in the rubber market during the forecast period. Meanwhile, there will be immense demand of natural rubber in the coming years and to meet the same there is an urgent need to increase the area under rubber cultivation on a war footing. In this regard, The Rubber Board has identified a vast stretch of land in the northeast region and West Bengal for rubber cultivation. The government is also taking lots of measures to fulfil the domestic demand and reduce the dependence on imports. On the concern side, the prices of natural rubber continuously declining. This was mainly on account of weak Chinese demand and the European energy crisis. China introduced more lockdowns during the passing year as new coronavirus cases stay at elevated levels. As China represents 42% of the global demand, the developments in China are crucial for the global demand prospects of natural rubber. Nevertheless, the situation in China is steady now and the demand are expected to be increased in the coming time.



# CONTACT INFORMATION



[info@sukhanidhi.in](mailto:info@sukhanidhi.in)



<https://sukhanidhi.in/industry-analysis/>



+91 8310770674



Toll Free: 1800 889 0255

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**VINAYAK SAVANUR**  
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