

**TYRE INDUSTRY IN INDIA  
ENTRY PATTERN OF FOREIGN COMPANIES**

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## TYRE INDUSTRY IN INDIA ENTRY PATTERN OF FOREIGN COMPANIES

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The tyre industry in India grew slowly until the 1970's when there was a spurt of companies entering the market. During 1920's a few multinationals like Firestone, Goodyear and Dunlop entered the market as trading companies. There were no manufacturing facilities in India. Subsequently after 1936 multinationals started subsidiaries. During the 1970s many business houses entered the tyre industry market. It is estimated that during 1988 there was a demand for 17.7 million tyres in India. The demand is expected to reach 44 million tyres by the year 2000. The breakup of this demand among trucks, LCVs, cars and two-wheelers is given in Table 1.

At present there are 21 companies, out of which ten are major ones. The market share held by the major companies in 1987 is given in Table 2. More than 70% of the tyre market is controlled by four companies, namely, Ceat, Dunlop, MRF and Modi. However, the performance of these companies during 1973-85 has been varied. The market shares of major companies in truck and passenger car tyres for 1973 and 1985 are given in Table 3. One can notice that there is a decline in market share with regard to both tyres and tubes in the cases of Dunlop, Firestone and Goodyear. There was a change in product mix for Ceat and MRF. New companies like Modi, JK Industries took over the shares of the major companies by 1985 (see Table 3). Some financial data of the major companies is given in Table 4. Majority of the companies have done well in recent years except for Dunlop and Kesoram. A brief note of each company is given below.

**Ceat:** Ceat company started manufacturing in India in 1951 in collaboration with Ceat SPA, Italy. It continues to have its collaboration with Ceat, Italy (1961), and Ceat International (1983). It has introduced radial tyres in collaboration with Yokohama. This company has the most diversified product mix compared to all tyre manufacturing companies in the country. It has been able to take advantage of the changing demand pattern. It has an installed capacity of more than 1.5 million tyres per year. Ceat had 50% of equity shares up to 1980. This was reduced to 25% in 1981. In 1982, the RP Goenka group of companies acquired

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30% of equity shares and took over the management of Ceat Tyres in India. Ceat's capacity is now more than 2.5 million tyres. As the production and earnings increased, Ceat merged with Deccan Fibre Glass during 1985-86, another company promoted by Goenka. Deccan Fibre Glass, had accumulated significant losses. With its merger with Ceat, it got tax benefits. Ceat was able to absorb the losses of Deccan Fibre Glass. RP Goenka's group also owns a Philips Carbon Black Limited company, which was set up in 1963. Carbon Black is a major input to the tyre industry. Besides, the Goenkas have promoted two other companies to produce carbon black namely, Oriental Carbon and Gujarat Carbon. With the control of these three companies, the Goenkas have almost a monopoly in the field. In 1984, they tried to get control of Dunlop India by acquiring 5% equity along with Manu Chhabria. However they were not successful. Meanwhile, in 1988 the RP Goenka group took over Harrison Malayalam, a rubber plantation company in Kerala. With this, it has acquired considerable backward integration in the tyre industry. A novel marketing idea has been introduced with the setting up of 'tyre centres' in metro politan cities. Goenka tried to take over Premier Automobiles to have complete integration. However, he was not successful.

**Dunlop India:** Dunlop India was set up as a trading company in 1926. Subsequently, in the 1970's, it started manufacturing in India in technical collaboration with Dunlop, UK and then with Mitsubishi and Sumitomo Rubber in 1986. It has a subsidiary called India Tyre and Rubber Company Ltd., which concentrates on the HCV segment. As there was less demand for HCVs during the 1970's, it was forced to change its product mix rapidly to LCV and other segments. In 1984, Manu Chhabria and Goenka jointly acquired 10% of the equity shares of Dunlop. Though Dunlop was a market leader in India, it lost its leadership to Ceat and MRF due to its obsolete technology. Initially, its management was under the control of the Goenka group. Following disagreement with Manu Chhabria, the Chhabria group took over the management in 1988. During that time there was a strike in Sahaganj factory. This was resolved by Manu Chhabria. In order to increase the market share and play a dominant role Manu Chhabria has taken over the Falcon tyres into the group. However, Dunlop still has got 30% share in its Indian subsidiary without involving itself in the management of the company.

**Bombay Tyres and Modi Rubber:** Bombay Tyres, originally Fire stone was started in 1930 as a trading house, subsequently it became a subsidiary of Firestone. The Modi group has taken over the management of Firestone and converted into Bombay Tyres. Besides, the group has its own company, Modi Rubber, which was started in 1970. Modi Rubber has got technical collaboration with Continental, West Germany. Modi Rubber is trying to introduce radial tyres with Continental collaboration. The project envisages 400,000 units. It has also got letter of intent for establishing nylon tyre cord or fabric at Nanda in Maharashtra state. It produced nearly 2.3 lakh tyres during 11 months in 1989. It is also exporting tyres. It has a market share of nearly 22% of total tyre exports from India.

**MRF:** Madras Rubber Factory (MRF) started as a toy balloon manufacturing unit in 1946. Its promoter K.M.Mammen Mappillai started manufacturing tread rubber in 1953, the raw material required for retreading. It acquired nearly 50% of the market share by the 1950's. It went public in 1962. It went into technical and financial collaboration with Mansfield Tyre and Rubber company, US. Up to 1974, there were no problems as the market was a sellers market. It started its factories at Tiruvottiyur in 1961 and Kottayam in 1970 for tread repair material and Arakonam for scooter tyre. In 1973, MRF started a truck tyre plant at Goa. Family members have nearly 40-45% of equity share and financial institutions have another 20%. In 1978, Mansfield divested its investment in MRF. With this, MRF was able to have technical collaboration with BF Goodrich Company in 1980. In 1985 they entered into a tie-up with Pirely, Italy and Goodrich for further technical collaboration. The same years it also entered into collaboration with Maragani, Italy for retread. At present, it sells around 55% of the tyres for trucks and buses and 45% of the tyres for cars and two-wheelers. It introduced nylon grid tyres for two-wheelers in 1954. It supplies OE to Maruti, and TAFE. It is trying to enter the aircraft tyre market through collaboration either with Pirelli or Michelin.

**KTC Tyres** is a medium tyre company which was promoted in 1982 by Kerala State Industrial Development Corporation and Kerala Transport Company. KSIDC has 26% of equity and nearly 40% is with KTC. They had indigenous technology from an associated tyre manufacturing company, Richard Cruddas. Their plant at Ayikkarappadi, near Calicut started giving trouble from

1985. It was not able to breakeven in its production. In 1989, it approached Bureau of Industrial and Financial Reconstruction under the Sick Industries Act of 1985. This company is now sick with Rs.47 million accumulated losses. Attempts have been made to sell this company to private enterprises but in vain. But some have indicated that if another joint sector project of KSIDC, CACIL which produces carbon black is sold along with KTC tyres, they may be willing to consider taking it over.

**Apollo Tyres:** Apollo Tyres started near Tirchur in 1972, as the first plant in Kerala State, which is the source for natural rubber. From the first year of the operation, there was a problem of industrial unrest in the company. It also has collaboration with General Tyre International Corporation, USA and latest technology. However, they were not able to use this asset. It was able to turnaround in 1983 due to the rising demand in the country for LCV's. It received a letter of intent in 1985 to establish a unit in Punjab. It is also setting up a new plant in Baroda with a licence of one million tyres. For this also they have technical collaboration with General Tyres of USA with a royalty payment of 0.75% of sales. Besides, Apollo has taken up overseas projects involving operations management and maintenance of factories outside India. Apollo has two such contracts in Iran and Turkey at present. The company wants to grow in this area.

**Other companies:** Vikrant was promoted as a public limited company with majority of shares held by Karnataka State Industrial Investment Development Corporation. For almost a decade, it was running at losses. In 1986-87 it turned around. There was an attempt by Chhabria to take over this company but it was foiled.

S. Kumar's is a textile group. They entered into collaboration with Michelin in 1987 for manufacturing tyres in India. This is the first time Michelin has entered into technical collaboration anywhere in the world. Earlier S.Kumar's were manufacturing cycle tyres under Modak Rubber with less than Rs.20 million sales per annum. The collaboration is for 5 years but is not an exclusive one. Michelin will get a lump sum of 1.5 million French francs and 3% royalty on net sales. Exports from S.Kumar's is allowed, except to France, Spain, Italy and Nigeria. However, it has the option to provide the moulds for export purposes. S.Kumar's

initially produced 600,000 tyres and tubes mostly for two-wheelers. The technology also is not up to date. The market it is trying to get a hold on is retail (replacement) market.

Another company, Birla Kesoram started in the 1970's. Besides this there are other companies like Sri Chakra and Premier Tyres.

### **Retreading**

Retreading was reserved for the small scale industry up to 1982. This reservation was removed in January 1982. As a result large units started entering this market. This market had 7.4 million retreaded tyres in 1987. This was expected to reach 9 million in 1989 and 12 million in 1991. 80% of the retreading is for bus and trucks. Four large units have entered this large market. They are:

- Elgi Tyre and Tread Limited with technology from Oliver Rubber Co., U.S
- Indag Rubber with Bandag Inc., USA
- Sundaram Industries Ltd., with Valcan Co. Ltd., Canada
- MRF with Marangani RTS Spa, Italy

In 1989, the government allowed import of second-hand binding drums and presses for manufacturing auto tyres for exports.

**Pattern of Growth:** Most of the multinationals have reduced their stake in Indian companies. Meanwhile Indian companies are trying to integrate this industry with their other activities, JK Tyres has got backward integration with tyre cord manufacture. Modi and Apollo Tyres want to do the same. The Goenkas have the integration of carbon black and natural rubber along with its tyre manufacture. On the other hand, Birlas and the TVS group have entered into the tyre market from the automobile sector.

**Pattern of collaboration:** Most of these companies in the 1950's had their subsidiary sales unit in India. The first to start manufacturing was Ceat in the 1950's. In the 1960's, Firestone, Good Year and Mansfield entered technical and financial collaboration with Indian companies. In the 1970's, Dunlop started manufacturing. In subsequent years, the original companies started having the

collaborations with their parent companies and also tried to diversify. This is also true in the cases of MRF and JK Industries. The pattern is given in Table 5.

Table 6 provides in brief the inter-linkages between multi national companies and their technical collaborations in India. The major multinationals like Ceat, Dunlop, General Tyre and Goodrich have got collaborations with major Indian companies. Besides they have also provided technical know how to other small units in India. The technical know-how provided by Ceat and Dunlop is marginal compared to General Tyre. General Tyre has collaborations with several units in India. Similarly, Goodrich has given technical assistance to two major companies and three minor companies. Other multi nationals like Pirelli and Uniroyal have marginal interest in minor companies in India. Michelin has entered the market in a small way.

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Table 1: Projection of Tyre Demand

(in million)

End March: Year	Truck/ Bus	LCVs, cars etc.	2/3 wheelers	Total
1987	3.7	4.9	7.4	16.0
1988	3.9	5.4	8.4	17.7
1990	4.2	6.2	10.8	21.2
1995	5.0	7.9	18.3	31.3
2000	6.7	10.3	27.5	44.5

Source: The Financial Express: 15 August, 1989

Table 2: Automotive Tyres Market Share (1987)

Name of company	Percentage market share
Ceat	21.4
Dunlop	17.9
M.R.F.	17.3
Modi	13.7
Goodyear	6.0
J.K.	5.7
Bombay Tyres	5.2
Falcon	4.9
Vikrant	4.5
Apollo	3.4

Source: Business World: Nov.23-Dec.6, 1988



Table 3: Tyre Market Share (in %)

Name of company	Truck Tyre		Passenger Car Tyre	
	1973	1985	1973	1985
Dunlop	29.8	13.9	26.7	17.1
Ceat	15.3	13.0	10.0	19.0
Firestone (Bombay)	12.2	6.2	31.8	13.3
Goodyear	11.5	7.0	17.0	13.9
M.R.F.	13.9	12.8	5.1	16.8
Modi Rubber	-	17.8	-	9.5
JK Industries	-	13.7	-	6.1
Vikrant	-	8.1	-	1.4
Others	17.4	7.5	9.4	2.9
	100.0	100.0	100.0	100.0
Total nos. millions	2.14	3.66	1.28	1.53

Source: Business World: Nov. 9-22, 1987

Table 4: Some Financial Data of Tyre Companies

Name of company	Year ended	Equity Rs. Cr.	EPS in Rs./yr.	P.E.	Dividend	Bonus Year	Ratio
Apollo Tyres	10/88	7.75	19.1	6.0	25.0		
Ceat Tyres	06/88	14.76	13.6	10.4	27.5	86	1:2
Dunlop	03/89	18.99	5.3	15.1	30.0	76	1:3
Goodyear	12/88	7.48	13.8	7.0	40.0	77	2:5
JK Industries	06/88	14.04	10.6	9.6	20.0	67	1:1
Kesoram	03/88	8.85	3.4	14.1	23.5	79	1:2
Modi Rubber	03/89	10.38	13.0	6.6	25.0	84	2:5
MRF	03/89	3.86	43.4	7.3	90.0	75	1:2

Source: Business India: Nov. 1989.

Table 5

Foreign Collaborations in Tyre Industry  
(Automobile Tyres & Tubes) 1950-85

Major Indian Companies	Total	Foreign Collaborations			
		1950's	1960's	1970's	1980's
Dunlop	8			Dunlop U.K. (4)	Dunlop U.K. (2) Mitsubishi (1) Sumitomo (1)
Ceat	5	Ceat, Italy (1)	Ceat (1)	Ceat (1)	Yokohama (2)
Firestone (Bombay)	3		Firestone U.S. (3)		
Goodyear	2		Goodyear (1)		Goodyear (1)
M.R.F. (1)	7		Mansfield (1)	Mansfield (1)	Mansfield (1) Goodrich (2) Pirelli Marangoni (1)
Modi	5			Continental (3) Goodrich (1)	Continental (1)
J.R.	4			General Tire (1)	Ctech (1) Avon (1) General tire (1)

Note: Figure in () is number of agreements

Source: Directory of Foreign Collaborations in India, N.K. Vyas Publishers, Ahmedabad, 1986.

Table 6: Foreign Collaborators Agreement with  
More than one Indian Company

Foreign Companies	Indian Companies Major	Indian Companies Minor
<u>Major</u>		
Ceat	Ceat, India	APIDC (1973)
Dunlop	Dunlop India	APIDC (1977)
General Tyre	J.K.	WPIDC (1984)
		Apollo (1983)
		Ibcon (1975)
		IDC (1973)
		Ruby (1972)
		T.N.Rubber (1972)
		Universal (1974)
Goodrich	Modi M R F	Incheck
		PSIDC (1972)
		TN Rubber (1951)
<u>Minor</u>		
Pirelli	M R F	Kesoram (1985)
Dayton Rubber		Indo (1959)
U.S. Rubber		Premier (1959)
Uniroyal		Premier (1960's)
Gates		Premier (1980)
Michelin		Poder (1960's)
		Ankur (1986)
		S.Kumar (1987)

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