

Case Study

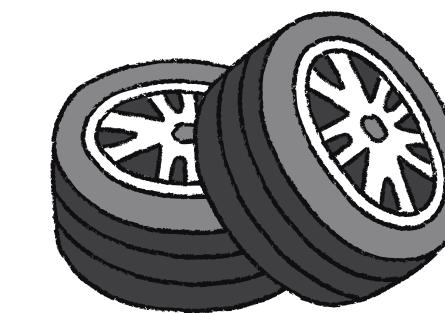
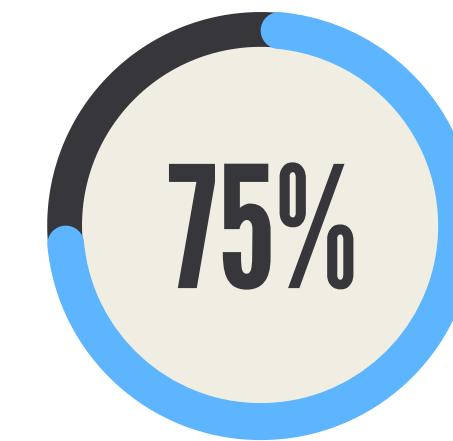
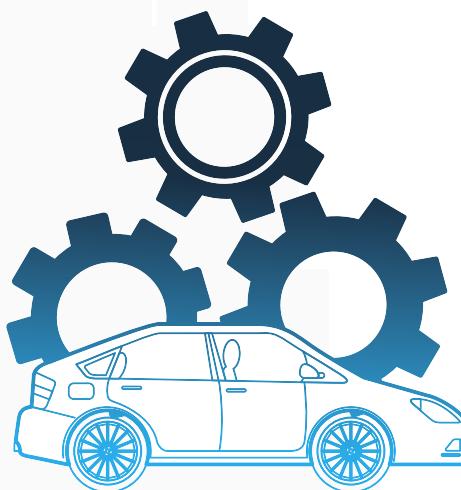
Michelin In The Land Of The Maharajahs : Note On The Tyre Industry In India

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CONTEXT

- Michelin evaluating entry into Indian tire market
- Indian market dominated by domestic companies (90%)
- Top 4 Indian firms hold 75% share
- Strong growth in automobile industry (1995–2005)
- Highly fragmented market with thousands of small dealers
- Full manufacturing ecosystem for auto tires in India
- Case period focuses on 2005–06



INDUSTRY DRIVERS

- »» **Growing Automobile Industry**
- »» **Urbanization rising**
- »» **Poor road conditions**
- »» **Increasing Income**
- »» **Vehicle Production Growth**
- »» **Technological Upgrade**

EXHIBIT-2

VEHICLE PRODUCTION IN INDIA (1995-2004)

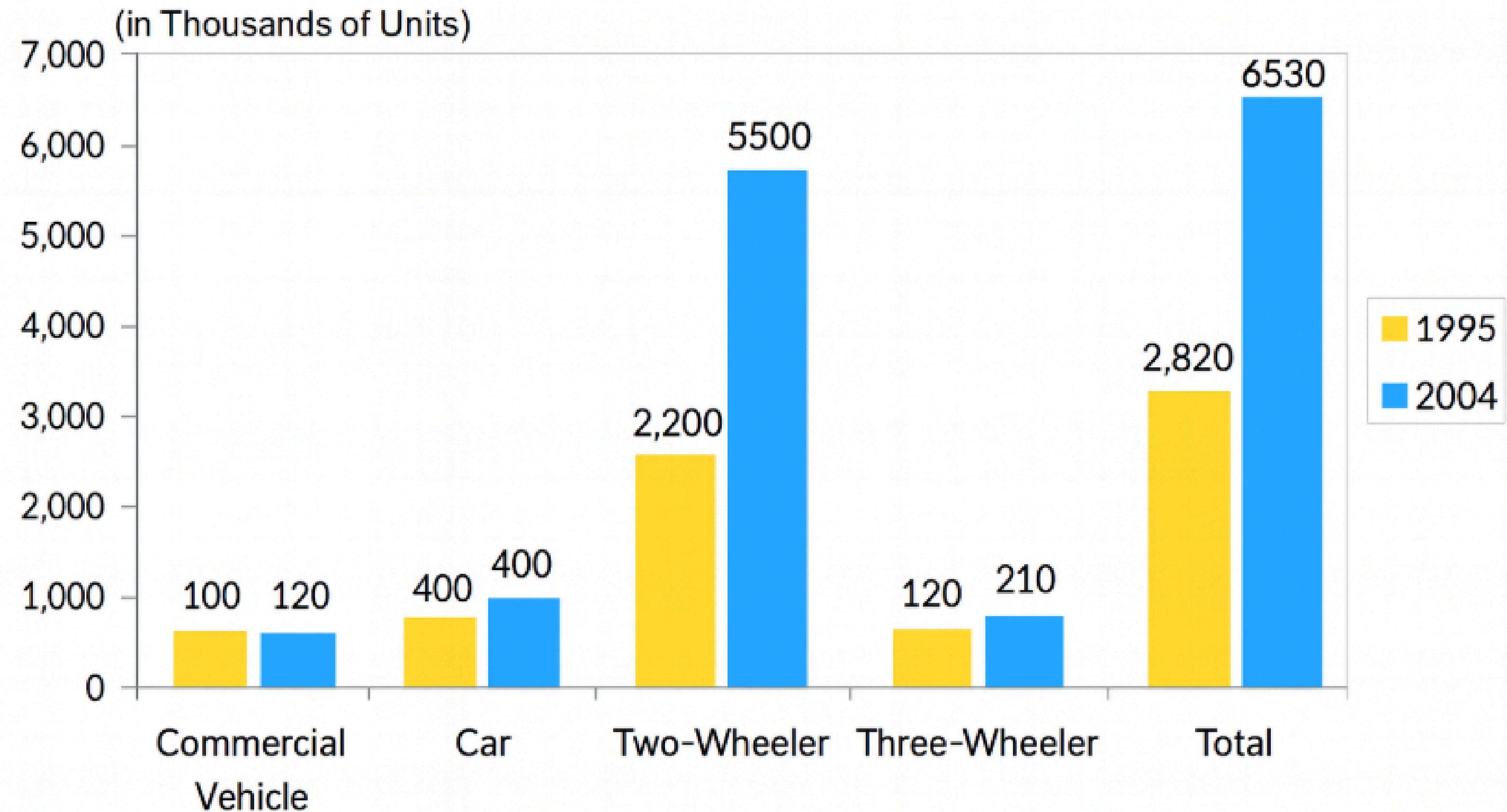


EXHIBIT - 6

Tire Sales in India by Market and Product (2005)

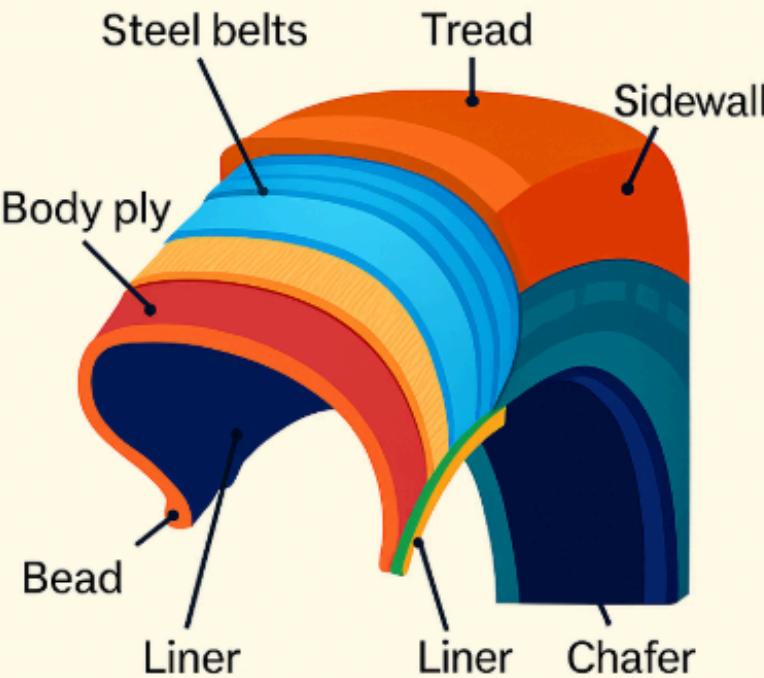
	Car			Commercial Vehicle		
	OEM	Replacement	Export	OEM	Replacement	Export
Volume	33%	63%	4%	10%	68%	22%
Two-Wheeler						
	OEM	Replacement	Export	OEM	Replacement	Export
	50,2%	49,8%	-	16%	65%	19%
Three-Wheeler						
	OEM	Replacement	Export	OEM	Replacement	Export
	34%	66%	-	14%	80%	6%
Light Commercial Vehicle (LCV)						
Off-the-Road (OTR) and Agricultural Vehicle						

- The replacement market dominates nearly every segment.
- OEM contribution is smaller in almost all categories (except two-wheelers).
- CV and OTR categories have very strong replacement demand.
- This is why replacement market in India = 58.9% overall.

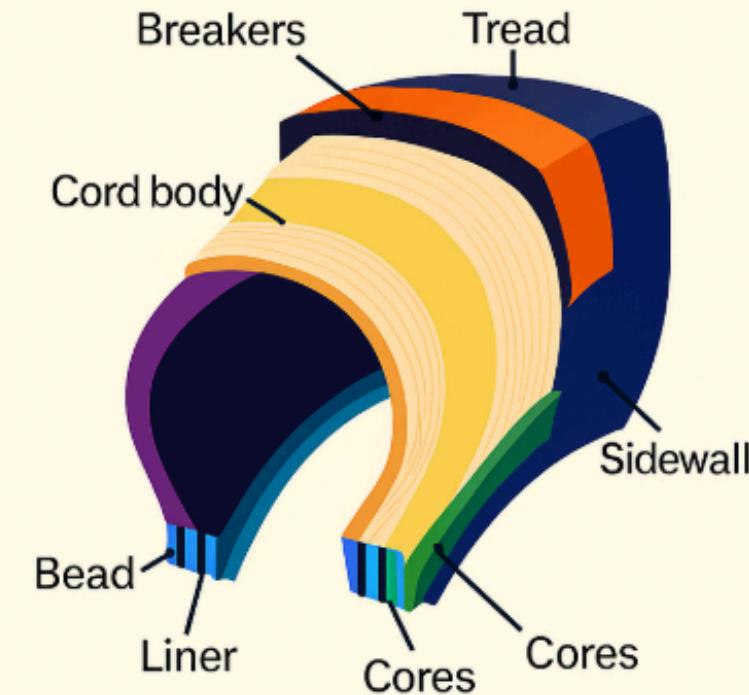
EXHIBIT-3

RADIAL AND CROSS-PLY (“DIAGONAL”) TIRE TIRE TECHNOLOGIES

Radial Construction.



Bias / cross-ply Construction



Car radial : 85%

LCV radialization : 11 %

CV radialization : 2%

Radials are expensive to produce & buy.

**Cross ply - 65% of Indian tyre market
is cross ply.**

**Most CV (commercial vehicle)
prefer cross ply .
Suitable for bad roads.**

EXHIBIT- 5

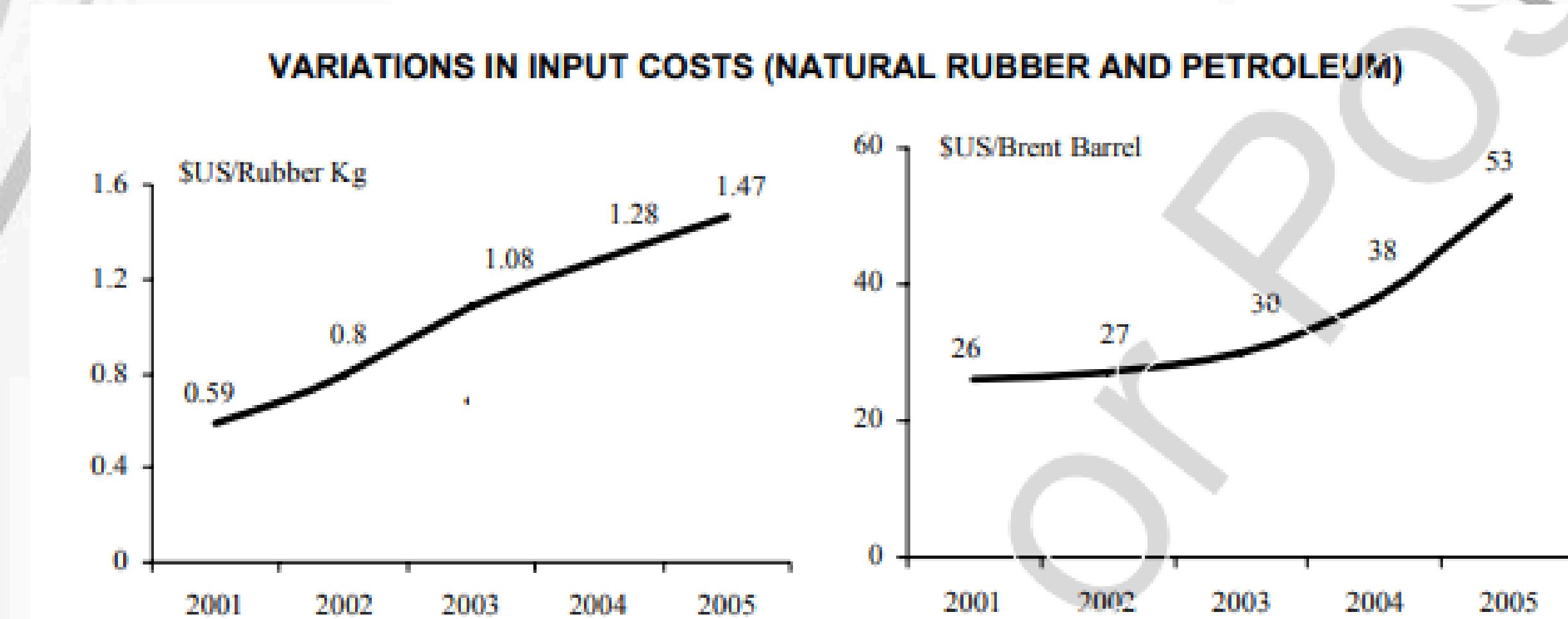
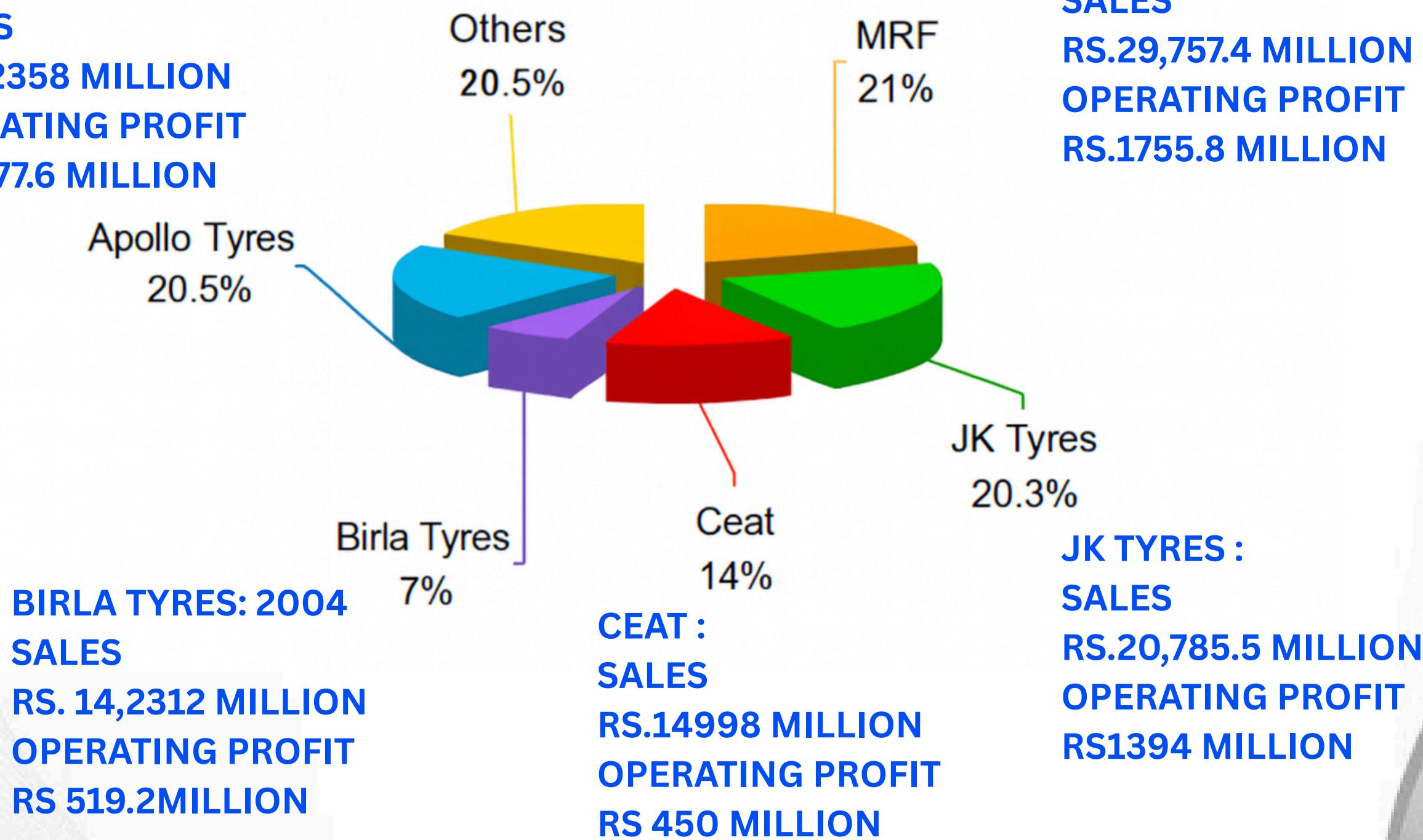


Exhibit 5 shows that raw material costs—rubber and oil—rose sharply from 2001 to 2005, increasing tire production costs and squeezing margins in an already price-sensitive Indian market.

EXHIBITS

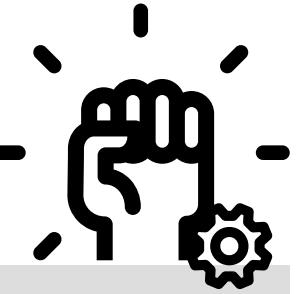
EXHIBIT-1

APOLLO TYRES: 2004
SALES
RS. 22358 MILLION
OPERATING PROFIT
RS 1777.6 MILLION



SWOT ANALYSIS

STRENGTH



- Top 4 Indian firms hold 75% market share
- Cross-ply expertise suits Indian road conditions
- Leadership in commercial vehicle (CV) tires (60% value share)
- Strong replacement market presence (58.9% of sales)

WEAKNESS



- High OEM dependence (34.2% of sales)
- OEM price pressure (20–40% cuts)
- Raw material costs = 65% of total tire cost
- Rising prices of rubber and oil
- Poor quality natural rubber in India

SWOT ANALYSIS

OPPORTUNITY



- Growing vehicle production in India
- Car radialization reaching 85%
- Rising demand for tubeless tires
- Export potential (currently low but growing)

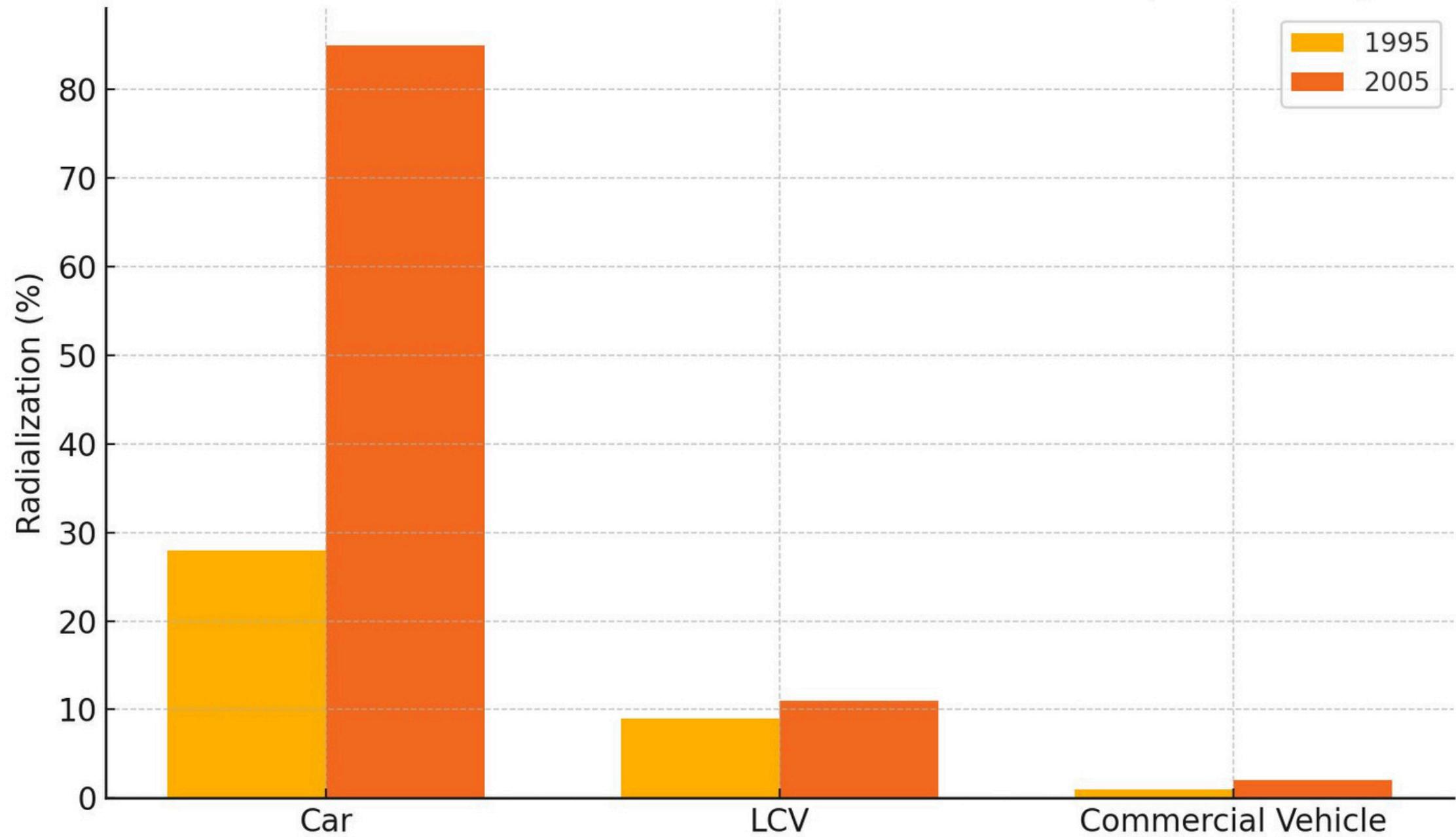
THREATS



- Cheap imports (30% cheaper)
 - Around 40 competitors → high rivalry
 - Very slow CV radialization (2%)
- Highly price-sensitive replacement buyers
- High investment cost for setting up new plants

EXHIBIT-4

Exhibit 4: Radialization of Tire Market in India (Bar Chart)



PORTERS FIVE FORCE MODEL

1 Threat of New Entrants (LOW)

- High investment cost
- Strong Indian dominance (75%)
- Wide dealer networks
- Tough road & usage conditions

2 Buyer Power – HIGH

- OEMs demand 20–40% price cuts
- Customers very price-conscious
- Cross-ply preferred because it's cheaper



3 Supplier Power – HIGH

- Raw materials = 65% cost
- Rising rubber & oil prices
- Poor natural rubber quality → import dependency

4 Threat of Substitutes (LOW)

- No real substitutes
- Retreading reduces new tire demand
- Slow radialization in CVs (2%)

5 Industry Rivalry (VERY HIGH)

- 40+ competitors
- Strong Indian brands (MRF, Apollo, JK, Ceat)
- Fragmented replacement market
- Price-based competition

PESTEL

Political

- Import duties impact foreign tire pricing
- Government support for local manufacturing

Economic

- Market size: Rs 150 billion: steady 7-8% forecast.
- High input cost (65% of sale) + OEM price pressure.

Social

- Price-sensitive replacement market (59%)
- High demand for 2/3-wheeler tire due to urban mobility

Technological

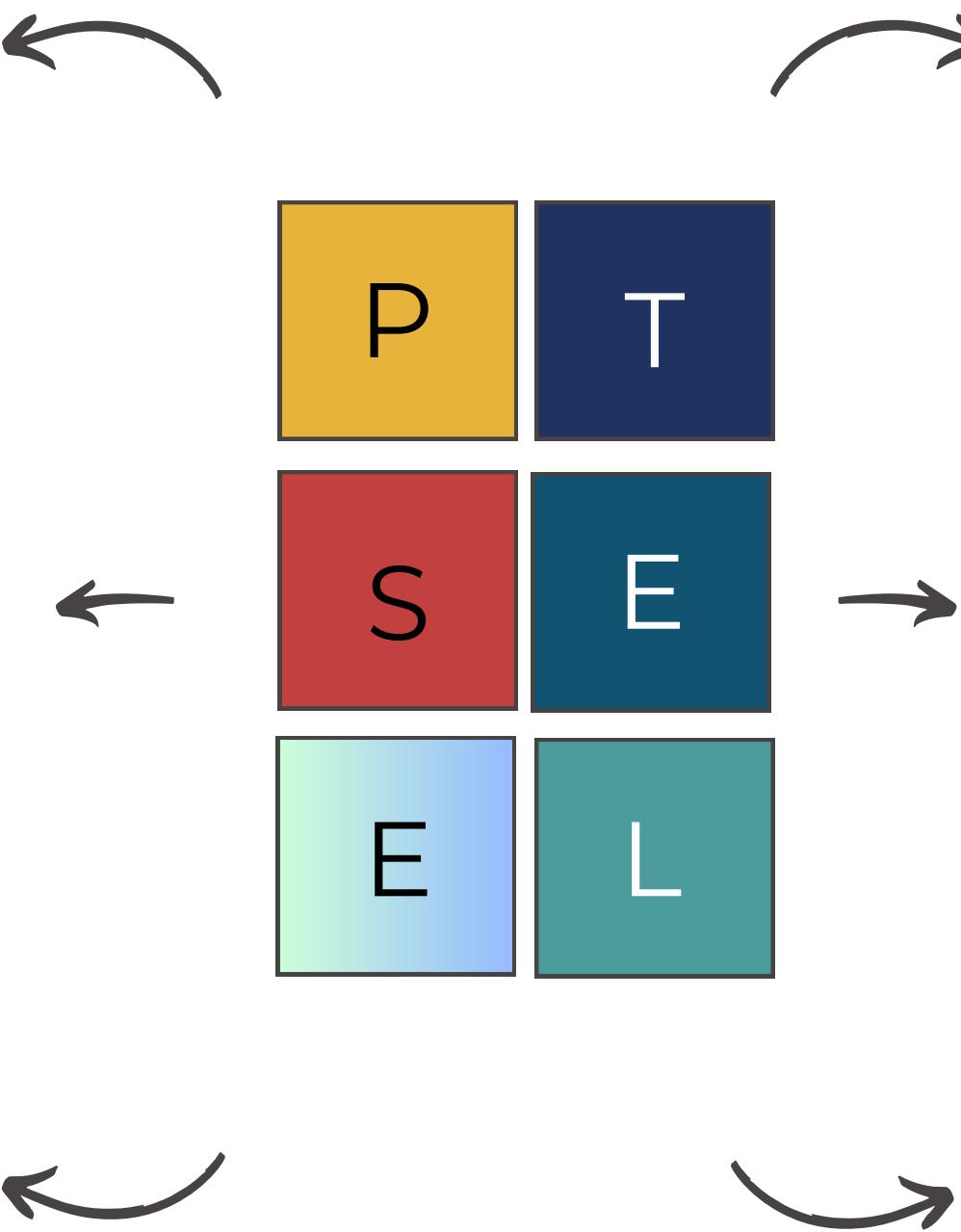
- Cross-ply dominance (65%): slow truck
- Tubeless tires growing: tech partnership increasing

Environmental

- Rubber waste & disposal challenges
- Road improvement pushing fuel-efficient radials

Legal

- import duty regulation and safety compliance
- Industry governed by manufacturing & labor laws



Competitive Analysis of Indian Tire Industry (2005-2006)

Market Overview

- 40+ competitors, total production ~70 million tires annually
- 4 major players ~75% sales value:
- MRF (21%)
- Apollo Tyres (20.5%)
- JK Tyres (20.3%)
- Ceat (14%)

Key Competitors & Strengths

- **MRF** : Market leader, strong in commercial vehicle tires, extensive distribution
- **APOLLO TYRES** : Wide product range, strong export focus, acquisition strategy (Dunlop SA)
- **JK TYRES** : Pioneer in radial technology, leader in commercial vehicle radial tires
- **CEAT** : Widest product range, mostly cross-ply tires, exports significant portion

Market Dynamics

- Price competition with imports (Chinese, Korean tires)
- Rising input costs (natural rubber, petroleum)
- OEMs exert strong pricing pressures
- Technological shift: Cross-ply dominant but radial tires growing, especially in cars
- Distribution increasingly vertically integrated by manufacturers

Competitive Challenges

- High supplier power due to raw material dependency and price fluctuations
- Intense rivalry causing pressure on margins and profitability
- Regulatory and tariff barriers protecting domestic market but limiting foreign entrants
- Need for continuous technological innovation to maintain market position

QUESTION

WHY INDIAN TIRE MARKET IS RESISTED WITH FOREIGN COMPANY?

Why are cross-ply tires widely used in India, and what is special about them?

How does this company create its local identity?

Does this company have to invest in manufacturing or rely on imports?

CONCLUSION

- 1) Industry nearly doubled production volume in the last decade.**
- 2) Cross-ply share still high – about 35% in cars, 10% in LCV, very low in CV (radialization chart).**
- 3) Strong domestic demand growth, especially in 2–3 wheeler segment.**
- 4) Low-cost Chinese imports rising → govt using tariff & non-tariff barriers.**
- 5) Supply constraints due to inconsistent natural rubber availability.**
- 6) Indian companies growing exports in global emerging markets.**

Thank
you