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Great demand for the rubber thread in the garments industry

Overproduction threatens rubber thread industry

S. Mohankumar

Is the rubber thread industry in the country heading for over production? As the existing major players in the field are expanding their capacity and new units are coming up in quick succession, overproduction is inevitable, according to a study report prepared by the Technical Consultancy Department of the Rubber Board.

The domestic demand-supply scenario in the rubber thread industry is expected to undergo drastic changes in the next two or three years. The

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deficit areas of the North and the South are becoming surplus regions owing to continuous capacity addition. As a result, rubber thread prices in the surplus regions are likely to come under pressure due to increasing competition. Following the expected surplus in domestic production and drop in prices, the export market will play an increasingly important role in maintaining a balance in the domestic demand-supply position.

Big gap

Although the country's total requirement of non-heat resistant rubber thread is being produced locally

by the existing 64 small-scale units scattered over Kerala, Tamil Nadu, Gujarat, Maharashtra and Karnataka, the entire requirement of heat resistant rubber thread (HRRT) is mainly imported as it is not produced locally in sufficient quantity. While the overall production of the HRRT is around 370 tonnes annually, the demand has exceeded 1600 tonnes. Increasing demand for the HRRT has created a gap of 77 per cent between demand and supply.

At present, there are four major players manufacturing HRRT in India - Rubfila International Limited, Sanghi Threads, Radhu Rubber Products and Ashoka Latex. Both Sanghi Threads and Ashoka Latex have a production capacity of below 1000 tonnes each, with Rubfila International and Radhu Rubber Products contributing around 4600 tonnes. Besides, some units in the small-scale sector are also manufacturing the HRRT in small volumes, making the total production capacity to around 6420 tonnes. Incidentally, almost all

the players are not utilising even half of their capacity because of the unsatisfactory demand situation. The consumers are still depending on imported latex thread.

New units

In fact, to meet the increasing demand and to exploit the existing import substitution market, a small

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scale unit in Trivandrum is increasing its capacity and a new multi-crore company (Garware-Wall Ropes) is entering this field. While the Trivandrum unit is setting up a separate plant near its existing plant to manufacture 5 tonnes of HRRT a day in tape form, Garware-Wall Ropes envisages to make the HRRT from sheet rubber with a capacity of 3500 tonnes a year. This will be the first

extruded rubber filament from good quality latex and chemicals.

With these expansions by the end of 1996, the HRRT production is likely to touch nearly 4000 tonnes. These expansions will be able to take care of the increasing demand in the near future. But the market demand of the HRRT is expected to increase only at the rate of 20 per cent per annum. Therefore, if the market size increases only at this rate and thread production expands at the present trend, then no doubt, there will be huge surplus and the rubber thread industry will face the problem of overproduction.

Big players will do their utmost efforts to protect their share in the market by reducing the price which ultimately may lead to a price war and other unhealthy practices. Therefore, export becomes inevitable for maintaining the domestic demand-supply balance. At least big companies should think of establishing an export market.

So far only a meagre portion of the total domestic output is exported and countries like Bangladesh, UAE, the USA and Canada are the importers. Out of the total production, only 227 tonnes was exported last year. But the import of thread during that period was 1129 tonnes, of which 57 per cent was supplied by Malaysia, the world leader in rubber thread production. But presently, due to tre-

Incidentally, the HRRT, which constitutes below 10 per cent of the total rubber thread production in the country, was not so popular in the textile industry till a few years back. It is only following the shift in emphasis towards the use of ready made garments and hosiery items, that the use of the HRRT has gained momentum. The export oriented consuming industry also likes to use good quality HRRT not only for export market but

Export of rubber thread is inevitable for maintaining the domestic demand-supply balance

also to substitute the requirements of Indian consumers for imported garments. The HRRT is basically used as an essential item for the manufacture of men's and ladies' under-garments, pants, skirts, sportswear, head bands and wrist bands, shoe uppers, socks and travel goods.

The HRRT, because of its superior quality, increasing price of centrifuged latex coupled with expensive technology, is much more expensive than the ordinary grade non-heat resistant rubber thread. It is priced at Rs. 150 to Rs. 200 per kg. for 36 count general quality HRRT in tape form and about Rs. 300 per kg for 90 count HRRT in spool form. Apart from the use of the HRRT in textiles, it is also used in developed countries for medical netting, food wrapping and narrow fabrics for furniture. Formaldehyde-free thread, talc-free thread, high tenacity thread, high elongation thread etc. are some other special formulations of thread widely popular in the developed countries.

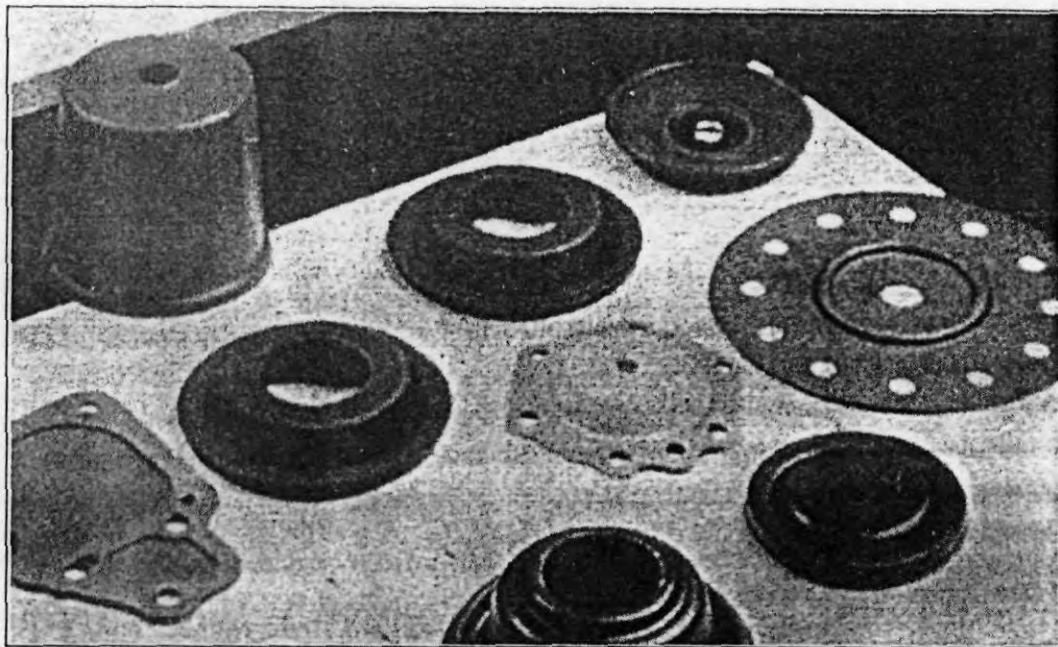
TABLE 1

Demand - supply gap for HRRT

Year	Demand	Domestic supply	Surplus
1996-97	3000	4000	1000
1997-98	4000	5200	1200
1998-99	5500	6500	1000
1999-2000	7500	8000	500

unit in India making rubber thread in the form of square section cut from good quality rubber sheets. All other units in India are manufacturing round

mendous increase in production capacity, players like Rubfila International have ear-marked a big share of their output for export.



Auto components : Lukewarm approach to industry

Big opportunities for auto parts industry

Car manufacturers in the country are still depending on imported items from their parent companies

S. Mohankumar

DURING the past two years a plethora of international players has entered the domestic automobile industry. About a dozen companies are setting up their ventures in India. Ford, Mahindra, Hyundai, Honda, Daewoo, General Motors, Mercedes Benz, Fiat, Suzuki, and Peugeot are the main companies in the list. Most of these players entered the interim market with great expectations but have still not found their footing.

With their entry, auto component (AC) manufacturers in

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India have realised that the prospects of spare parts business are too big and too lucrative to ignore. But only a few companies in the organised sector did well during the last two years, and many players failed to reap the benefit.

Limited capacity

Though the industry offers rewarding opportunities by procuring kits and parts locally, it is understood that many of the car makers could not source good quality items locally exacting the quality standards of an imported car. For rubber parts also, which form a major chunk in the AC industry, the

car manufacturers are still depending on imported items from their parent companies, which is too expensive and time consuming. Even a single replacement screw through import operation may take a month to arrive. Limited capacity of the rubber parts manufacturers in the small-scale sector who come around 455 in number and their outdated technology are the main factors hindering a successful entry in this field. In Kerala also, even a single firm has not yet been established to produce genuine parts to cater to the requirements of vehicle manufacturers.

Fierce competition

All firms existing in this track in Kerala are in the small and tiny sector struggling with the fierce competition to the REP market. Though the State is considered as a leading State in South India and possesses enough materials and technology/skilled manpower etc required for making rubber and rubber bonded metal components, its involvement to spare parts manufacturing is still in lukewarm. In marketing, compared to OEM the dominance is

more for REP market as the existence of poor road condition and climatic changes favour replacement of rubber parts at regular intervals.

Market access

Besides, market access is made all the more easy in

Registered vehicles in Kerala		
Type of vehicle	1989	1996
Lorry, light trucks	58,528	1,20,302
Busess	19,034	39,083
Car, jeep, taxi, etc.	1,46,869	3,12,688
Three wheelers	71,860	1,18,891
Two wheelers	2,13,921	5,96,323
Tractors, trucks etc.	13,311	18,767
Total	5,23,343	12,06,054

Kerala as the consumers here are actively looking for quality products at reasonable price. So many items marketed in Kerala under the reputed brand names of leading manufacturers are of low quality. Vehicle population is not so insignificant in Kerala as shown in the table. Moreover, the OE market emerging in the neighbouring States can also be exploited if proper efforts are made. Besides TVS, Ford, Hyundai, Hindustan Motors, Ashok Layland and Mahindra are the other companies setting manufacturing facilities in Tamil Nadu.

All these factors are self-explanatory of the significance of auto rubber components business in Kerala. The significance is realised with the presence of big players like TVS group, Amalgamation group and Rane group which make AC industry in Tamil Nadu as a major

contributor to all India production. But the attitude of manufacturers in Kerala is not so encouraging, which ultimately have changed the market as an easier entry to others. What is required is to identify suitable rubber products that could successfully be marketed in OEM & REP market separately, and implement suitable packages to bolster the growth of this industry.

Applications

In the automotive industry, rubber finds two broad applications, they are: "tyre & tube" and "non-tyre rubber products". The non-tyre rubber products, which are generally called as "automotive rubber components", are used in automobiles to perform certain important functions like controlling/reducing vibrations, frictions and rubbing of various metal parts. The table given depicts the major areas of usage of non-tyre rubber products in automobiles.

It may be noted that most of these products can be well manufactured in the small and unorganised sector. Since these products are conventionally called as

low value and non-critical items, manufacturers are still using locally fabricated equipment of poor quality. Ultimately, the product available in the market is of inferior quality, consequently, vehicle makers demanding quality products are facing a major supply constraint, primarily with respect to product quality and consistency. Both the export and local OEM market now called for stringent quality standards, particularly with the advent of foreign car makers in

India. This provides an attractive opportunity in the field of rubber components, for a new entrant with the state-of-the-art manufacturing facilities. Industry sources reveal that the total market for automobile rubber components (excluding tyres and tubes) will be about Rs. 1,600 crores by the year 2,000. Of this, 20% will be for hoses, 13% for weather-strips and the rest for moulded/extruded rubber parts.

Export market

Besides Tamil Nadu, the manufacturers of industrially developed States of Punjab, Delhi and Maharashtra are also doing well making diversified items and supplies to OEM manufacturers like Telco, Maruti, Ford, Escorts, Mahindra and DCM Daewoo. Despite protecting from imports, the industry also enjoys an export market. Germany, Italy, Saudi Arabia, Nepal, Sri Lanka, Kenya, France, the USA, Holland, Malaysia and Canada are the leading importers of rubber components from India. Brake linings, drive transmission and steering parts, suspension and braking parts, bushes, mountings and seals are a few major items listed from export of rubber components from India. Though the country is enjoying low labour cost, and specialised in making natural rubber based articles, the fact remains that our share in export of AC is less than 1% of the \$ 80 billion global market. Many parties in Japan and the USA are looking towards India for

Market size for rubber components (2000 AD)

Item	% share
Hoses	26%
Weather strips	13%
Moulded & extruded parts	61%
Total market	Rs. 1,600 crores

Limited capacity and outdated technology are affecting the growth of the automotive spare parts industry

sourcing and sub-contracting auto parts. They are also ready to enter MOUs with Indian companies to import components for motor vehicles.

Marketing traits

Like marketing of cars and vehicles, spare parts business is also done traditionally through a dedicated dealer network. These dealers have played the role of distributors rather than selling agents. But this scenario is expected to change with the entry of foreign car makers as many units

are planning to set up joint ventures/partnership firms to make supplies exclusively to OEM and rarely for export market.

On the basis of structural set-up, dealers are grouped into two-wholesale dealers operating in bigger trading centres, and retail dealers who purchase in bulk from the main dealers and market them to end users. Most of the small manufacturers are operating as sole proprietorship concerns/partnerships and sell their output to dealers. The medium and larger firms in the organised sector supply items to the original automobile manufacturers and also export.

This business has a traditional system of facilitating certain terms and conditions. They are:

- * Trade discount, which varies from 10% to 20%
- * Additional discount for quick payment
- * Credit facility from 15 to 45 days
- * Free replacement for any manufacturing defect

* Representatives for line canvassing

* Inserting gift coupons in the packets

Regarding the scope of rubber parts, it is understood that, as far as the vehicle industry is flourishing, the

Satisfaction Index (CSI)" which shall use factors like the number of consumers coming for the products, their opinion about the performance of the products, comparison with competitors products and their after sale services.

Area of usage	Items
Hoses	Radiator hoses, fuel hoses, brake hose, water pump hoses etc..
Beltings	Fan belt and power drive cogged/raw edge belts which are commonly used in all vehicles.
Weather strips	Solid rubber, sponge rubber metal embedded etc.
Moulded goods	Oil seals, dust seal, washers, bellows, mountings, suspension bushes, rubber boots, pedal rubber, O rings, mattings, gaskets, buffers, rollers, brake chamber, diaphragms etc.
Extruded items	Channels, beedings, brake linings, sheets. pads, straps etc.
Foam products	Seats and cushions

"spares market" will also witness a higher growth.

Steps needed

The following are the steps needed to capitalise the opportunity of auto rubber component industry, particularly for the new investors entering this field.

* First the producers should try to become "first-tier suppliers" directly supplying to the vehicle manufacturers. National presence, timely delivery, organisational integration, concurrent engineering and technology etc, are needed to become first-tier suppliers.

* Secondly, to capture REP market, genuine parts will have to be supplied at competitive prices.

* Manufacturers should set out to measure the service performance of their products by using "Consumer

* "Brand building" is another important factor not only for local but also for international market.

* Development of a "systems selling approach" is another important factor conducive to make a fame for rubber spare parts business in Kerala. In this approach,

Projected growth rates of different vehicles (up to 2000 AD)	
Passenger cars	18 - 20%
Light commercial vehicles	14 - 15%
Heavy commercial vehicles	10 - 11%
Tractors	8 - 9%
Two wheelers	12 - 13%
Scooters	10 - 11%
Motor cycles	9 - 10%
Mopeds	9 - 10%
Scooterette	20 - 22%
Multi purpose vehicles	8%

assemble the parts made by small and tiny units in to a "System" and establish a common distribution channel to supply to the OEM and REP markets. □

The total market for automobile rubber components excluding tyres and tubes will be Rs. 1600 crores by 2000