

# Cycle tyre-tube industry set for vibrant growth

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**T**HE cycle tyre and tube sector is all set to reap the benefits of a vibrant growth in the bicycle industry. It is just like its mother industry, the automobile tyre industry, crouching for the big moment. Among various groups of rubber products, cycle tyre & tube is the second largest sector in rubber usage, automobile tyre topping the list.

The Indian cycle tyre-tube industry seems to be fading, and requires some drastic steps as world market grows thicker every moment. The unorganised sector has not been able to reap the benefit fully even from the domestic

market. But the organised players are exploiting it.

The demand and supply situation in the industry spells the need for capacity expansion and diversification. Although, between 1989-90 and 1995-96, the CAGR (compound annual growth rate) in production is only 10 per cent, which shows an irregular trends, the industry sources are expecting a high growth rate in the future. The wide global market may also give good scope in future, the exploitation of it so far is less than one per cent. Several new projects are expected to come up in this sector. But, in spite of all the talks not much is forthcoming.

## Product range

Cycle tyre and rickshaw tyre are the two broad categories, the difference being that the

latter has better reinforcement and hence more strong than the former. Weight of a rickshaw tyre varies from 800 to 900 gms while a cycle tyre's weight varies between 725 to 850 gms. Total weight is more due to higher tread thickness, but the rubber compounds are similar to those of cycle tyres. Both the tyres are generally available in different sizes and different colours. Fancy tyre are in small sizes with different colours like red, blue, green, yellow and so on. Cycle tubes are of two types, jointed and jointless. Butyl tubes are also popular in the market though it is costly. But it possesses several advantages like superior air retention, more durability and absence of frequent pumping. Flat and broad tyres usually used for mountain bikes are called tyres for "all terrain bikes (ATB)".

## Wide variety

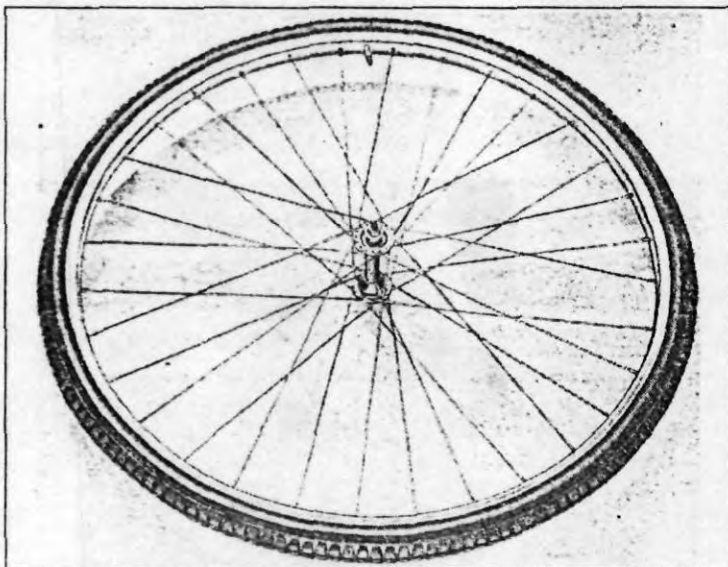
Cycle tyres in developed countries can be of wide variety depending on the combination of material used to make the compound, its chord, tread pattern and sizes. The product range that would emerge is: Hitech gum-wall nylon cycle tyre - based on nylon chord & EPDM rubber; wheel barrow tyres, good quality nylon tyres for specific international brand cycles and ATB, BMX and 10 - 21 speed performance bikes.

The Indian cycle tyre industry can be divided into the organised sector consisting of 14 significant players accounting a major share of the local and export markets and the unorganised sector consisting of around 100 small players supplying tyres/tubes to the local replacement market. Major chunk of the industry is at Ludhiana, followed by UP, Calcutta, Gujarat, Maharashtra & Tamil Nadu.

The two sectors have been able to co-exist and grow largely owing to the difference in quality and market segment. While the organised sector with advanced technology and higher investment has been manufac-

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Price war among the manufacturers' and financial stringency are affecting the growth of the cycle tyre-tube industry



Cycle tyre : Better prospects predicted

turing superior quality tyres and supply to OEM & export market, the unorganised sector has found a niche for itself in low technology and investment. The requirement of standard (ordinary) tyres for REP market is generally met by the unorganised sector.

### Major customers

Amongst the user segment, the OE consumers are the most important clients, but the tyre manufacturers very often get lower prices from OE market, which varies from 5 to 10 per cent lower than dealer's net price. However, since most of the demand for standard and new model tyres comes from them, the OEM continues to account for the lion's share of the organised sector accounting 30 to 40 per cent of the total market.

**Table I**  
Production (Lakh nos.)

Item	89-90	95-96	Combined annual growth rate %
Cycle tyre	821.68	1435.78	9.91
Cycle tube	782.26	1633.24	13.58
Total	1603.94	3069.02	11.71

The REP market, comprising the individual cycle owners and retail/wholesale dealers are also the major customers. This is the biggest segment of the market accounting for about 50 to 60 per cent of the total market. Distribution to this sector are made principally through retail chain. Since the distribution and selling cost of REP market within and between different areas is high, this sector is price sensitive and prices are usually 10 to 20 % higher than the OE market.

The demand from the export market is growing significantly but served only a marginal profit. However, India's share in world market is abysmally low which is less than 1 per cent, though the country ranks second in production of bicycles. China has an exceptionally larger share of 36 per

cent in world market followed by Taiwan, the USA and Thailand. Considering the growth performance of bicycle industry in the world the ITC recommended cycle tyre-tube as a major item for export from a developing country like India.

The growth in the production of cycle tyre and tube showed irregular trends during the last seven years. See Table I.

The rising costs have affected the margins of the industry during the last two years. But recently, many major companies have revised the prices of finished products upward by 10 to 15 per cent.

The domestic market for cycle tyre and tube is expected to grow in the coming years. A major part of this will be from the replacement market. The growth in export market will not be uniform for all the product segments. Only fancy coloured tyres and butyl tubes find appreciations in export market.

### Scattered markets

The OE market is oligopoly in nature, and purchases are decided by a few executives and convincing them is not very difficult. Whereas the REP market is widely scattered, but mainly concentrated in low income groups. This is because of the OPR (Ownership penetration rate) for bicycles in this category. But in high income category OPR for bicycle declines systematically. However, the OPR rate of school going children in high and medium income category is increasing every year. There is no systematic demarcation of REP market for rural and urban areas as the OPR of bicycles is more or less matched in rural and urban markets.

There are better prospects for the industry in terms of demand and margins as there is growing need for diversified products and coloured tyres used in fancy cycles.

Standard black tyres are more popular for rickshaw cycles. At the same time butyl tubes are getting more and more acceptance in the domestic market. In the export market, the trend is towards nylon tyres in various sizes to cater to the demands of the leading brands.

### Paradoxical trends

Considering the present state of the industry it seems paradoxical that some of the players are going for capacity expansion, though a substantial part of the installed capacity has been lying idle, particularly in the small unorganised sector. But the big players are operating at 90 per cent or even higher of capacity and looking towards the future with great anticipation.

A study conducted by the Government of India had projected that the country would require at least 200 million bicycles by the end of the century. It is understood that, the demand for bicycles will increase as it is still the "most handy and economical vehicle" for millions. The estimated production of bicycles in 1996-97 would be around 120 lakhs which indicates the total requirement of cycle tyres and tubes as OEM would be 240 lakhs each.

Even to tackle the export market, the industry needs to set up additional capacity with facilities for technology improvement which will entail huge capital investment. However, the growth in manufacturing industry is expected to average around 8 per cent in the future, which signifies the entry of new units in this field.

Price war among the manufacturers and financial stringency are the major problems affecting the growth of the industry. For success it is imperative to have quality consciousness and product diversification with emphasis on export. □