‘You need to have a market ready when the tyres start rolling out’

Apollo Tyres is expanding capacity at Indian plants, says Chairman

CHITRA NARAYANAN

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For tyre makers the good news is that input costs have come down with commodity prices crashing globally. The bad news is that demand has also slowed in a recessionary market and car makers and dealers are fiercely negotiating price discounts. In this climate, Apollo Tyres’ Chairman Onkar Kanwar describes how the $2-billion company is trying to meet its stated target of $6 billion by 2020. Acquisitions and collaborations are part of the strategy. Excerpts.

THE BL INTERVIEW

You have been going global with a vengeance with a series of acquisitions. What’s the market mix now? Will global revenues contribute more than India soon?

India continues to be our home market. Sixty per cent of our market is here, only 40 per cent is global. We don’t acquire companies for the sake of it. We just acquired Reifencom GmbH, a tyre distribution company. They have 37 stores and are catering to six different countries. For us this acquisition was important, as we needed to expand our distribution network in Europe before the new plant in Hungary opens in 2017. Construction of the Hungary facility has already started. It will have a capacity to produce 5.5 million passenger car and light truck tyres and 675,000 heavy commercial vehicle tyres.

But you can’t just put up a plant. You need to have a market ready when the tyres start rolling out. Germany is especially important for us distribution wise as all the big manufacturers — BMW, Daimler Benz, Volkswagen — are all there.

At a time when Make in India is the trending slogan, do you rue your decision to manufacture outside?

We are expanding capacity at our Indian plants too. We are putting in ₹2,700 crore of investment at our Chennai plant to double capacity. We have invested in Vadodara unit too, which produces Off the Highway tyres. We are investing in our two plants in Kerala too.

There are speculations that you are entering the two-wheeler tyre segment?

We have been getting demand from our dealers that we must bring in two-wheeler tyres too. So we have decided to launch these and you will see these soon.

Is it an imperative because demand for large vehicle tyres and car tyres seems to be depressed?

Not really, we are the leader in truck bus radial (TBR) tyres. In fact, we are expanding our TBR manufacturing capacity at Chennai to take it from 6,000 tyres per day to 12,000. The demand for TBB – truck bus bias –is coming down but TBR has gone up.

What are the new requirements you get from auto makers? Are electric cars now making you innovate more?

In electric vehicles, we had collaborated with the Mahindras’ for the e2o long ago. We are with all OEMs – there is not a single manufacturer we are not tied up with. Yes, there are many changes in requirements. We have set up a small R& D office in Bangalore where we are testing out concepts like intelligent tyres.

How are you going to meet your target of $6 billion by 2020? Analysts feel that after the $2.5-billion Cooper deal was called off you won’t meet this projection although margins must have improved due to lower input costs?

Although commodity costs have come down, there is pricing pressure. We are trying to achieve our target by taking our manufacturing everywhere. We are investing in R&D significantly. We have research centres in Chennai, Europe, the Netherlands and now we have opened one in Frankfurt.

We are also investing more money in brand building. We are trying to grow our market by putting up offices in more locations. For South-East Asia, we have an office in Thailand, for Middle East, Africa and South Africa, we have set up an office in Dubai, and to take care of Europe, the US and South America, we have one in Amsterdam.

We have also put in place a global team and are transforming the culture of the organisation.

The need for us is to ramp up our production numbers. Apart from putting up new manufacturing facilities, we are also exploring collaborations. As we speak we are entering collaborations with other tyre makers.

We are looking at a mirror image deal where they manufacture for us in a global location, while we manufacture for them in India. Times have changed and today is an era of collaborations.

What are the lessons you have learnt from the Cooper deal falling through?

This was a funny case where the buyer and seller were willing, and price was agreed yet the deal did not go through. The only thing we had not done was to meet the various companies that were part of the agreement. The Chinese joint venture – Cooper Chengsan Tire— came in the way of a done deal. In hindsight, the learning is that one should meet all the JV partners prior to a deal. That was the only mistake we did. Later, I went over to meet the Chinese gentleman (Che Hongshi) and asked him what stopped him from agreeing to the deal. He said : “I don’t like having a stepfather”. I told him that we were willing to give all the investments that Cooper had promised but he just repeated one sentence again and again. “I don’t like having a stepfather”.

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ONKAR KANWAR
Chairman, Apollo Tyres