



“For Small Retreaders, Business is Already Very Difficult”

In conversation with **Huned Contractor**, Tyresoles' Managing Director **Karun Sanghi** talks about the tyre retreading business in India, the role that the newly formed association will play and his company's contribution to the industry.

India's retreading industry is estimated to be worth more than USD 1 billion (₹5,000 crore annually) with roughly 20,000 retreaders scattered in the organised and unorganised sector. Despite its sheer size in terms of value and volumes, there have historically been no serious efforts made to form a pan-Indian retreading industry body that speaks on behalf of the industry. However, with the changing times, a small number of stakeholders took the initiative and met on January 13, 2017 in Mumbai to form a retreading association. "We need an industry association to build awareness among policy makers of the vital role played by the industry in recycling as well as in facilitating and cooperating on matters affecting the industry," said Karun Sanghi, Managing Director, Tyresoles India (P) Ltd.

Sanghi hosted the conclave and chaired the inaugural discussion to form the representative body attended

by around 35 retreaders, tread makers, equipment manufacturers and suppliers. Three names were shortlisted for the association – Indian Retreading Association, Indian Tyre Retreading Association and Tyre Retreading Association of India. "The name 'Indian Tyre Retreading Association' has been finally approved by the Government of India, Ministry of Corporate Affairs. We have already started the process of the formation of the association under Section 8 of the Company's Act," informed Sanghi. Excerpts from the interview:

Could you provide an overview of the retreading business in India?

The tyre retreading business is estimated to be about ₹50 billion per year. We estimate that eight million truck and bus tyres are retreaded each year. The tread rubber business is approximately 1,50,000 tons per year with an estimated value of ₹30 million. The business is

extremely fragmented and largely in the unorganised sector. There approximately would be 20,000 retreaders in India with an average factory producing 100-200 tyres per month with a market share of 0.01%. Tyresoles is one of the largest retreaders in India and we would have a 2.5% market share. However, the demand for retreading has been falling. We had an increase in low cost Chinese tyres about two years ago. These tyres were not suitable for retreading.

Therefore, this led to a slump in demand. The sale of radial tyres as a percentage of total sales has been increasing. Again, with the longer life of a radial tyre, the demand for retreading has fallen. Further, with the general disruptions in business in India with demonetization and the introduction of GST, vehicle movement has also been disrupted. All of these factors have led to a decline in retreading. We don't have accurate figures but we estimate retreading in 2017-18 would be 20-25% less than the previous year.

Even with the introduction of GST, many transporters have not registered and choose to ignore the cost reduction they would get with GST. When petroleum products are also covered by GST, transporters would be forced to register. They will then look for GST-registered vendors. Factories making 100-200 tyres per month will not be economically viable. The business will shift to the more organised companies. To give you an

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example, the Malaysian tyre retreading industry went from about 800 retreaders in 2012 to about 90 retreaders in 2016. The Indian tyre retreading industry will also go through a consolidation phase in the next few years.

Do independent retreaders in India see the increased activity of the tyre manufacturers as a threat to their future business?

For small retreaders, business is already very difficult. With GST they are being forced into tax compliance. Going forward they will need to scale up or exit the business. We don't expect small retreaders producing 100-200 tyres per month to survive. Most tyre companies are entering the tread rubber manufacturing business. They then sell this rubber to independent retreaders or a franchise network. Retreading is a service industry and may continue to be entrepreneurial. We don't expect large tyre companies to manage the actual retreading operations. So the well run independent retreader will do very well.

At Tyresoles, we pick up tyres every day from our customers. We process and return the tyres within 24-48 hours. We inspect customer fleets and we advise them on timely removal of tyres. We essentially work with fleets to reduce their overall tyre costs. We do all this at approximately 25-30% of the new tyre costs. And yet, we would need to scale up to lower our costs. We would also need to be more responsive to our customers.

What role will the newly formed retreaders association perform in future developments?

The retreaders association has been formed to address the following:

- Protect the environment by promoting tyre retreading.
- Build awareness among policy makers of the vital role played by the industry in recycling.
- To improve road safety with greater education about retreaded tyres.
- Facilitate discussions on matters affecting the industry.
- Collect statistical data on the industry.



About Tyresoles

Tyresoles is a leading tyre retreading company in India and has more than six decades of experience in the field of retreading. It started as a unit of Anglo-Thai Corporation and was acquired by the Sah & Sanghi Group in 1973. The Belgaum factory was established in 1984. The company has seen year-on-year sales growth of 30% for the last two years and is projecting sales growth of 50% for the next year. Tyresoles works closely with its customers to develop new products to meet changing requirements. It has also developed specialised rubber compounds to match vehicle operating conditions in India. In 1999, it established an ERP system which allows it to track tyres online and give customers accurate information about their tyres.

The company treats retreading as service and not commodity. It believes in long-term relationship with customers and helps them to reduce their tyre costs. Free value-added services such as vehicle inspection, scrap tyre analysis and mileage feedback has enabled its customers to take timely decisions on tyre maintenance, purchases and inventory. Lowest failure rate has resulted in reducing their vehicle down-time costs too. The latest addition to its uniqueness and industry-leading initiative is Tyresoles App. Launched recently among selective customers, this will eventually be available to all clients and take them through a whole new experience of retreading in a digital era. They can place request, track their tyres, see their current and historical transactions, know about services, give instant feedback - all just at one click.

The performance of any tyre largely depends on using the tyres with right tread patterns and tread formulations. Tyresoles has the in-house capability of developing various patterns and formulations based on market demand. It takes anywhere between six months to one year to develop new tread patterns and formulations. The company keeps an eye on new sizes that are becoming popular in the market. It also studies their operations in terms of the terrains, load and leads.

Based on the inputs from technical staff it develops moulds and matrices through vendors. Tyresoles develops compounds that have different levels of resistance to cuts, heat and wear. It studies on-field performances on a sample size for a particular period of time. Based on the feedback it fine-tunes the pattern and compound before launching it in the market. Tyresoles has successfully developed patterns and formulations for port operations, iron ore and limestone mines, truck and bus radials as well as various tractor sizes. 