

Continental to buy Modi Tyres

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Chennai, Apr 18: After global tyre majors such as Bridgestone, Michelin, it is time now for the German-based, fourth largest and euro26billion Continental to make its presence felt in the growing Indian tyre industry. On Monday, Continental has signed an agreement with Modi Rubber (MRL) to acquire 100% shareholding of the latter's wholly-owned subsidiary — Modi Tyres Company (MTCL), for an undisclosed sum. The completion of the transaction will depend on the fulfillment of several conditions. Continental has been the technical collaborator of Modi group over the years. In 2009, Continental's commercial vehicle tyres division revived the collaboration with MRL that began in 1974 with a cooperation agreement, the German tyre major said. Modi Tyres, a privately-held company, makes tyres for Continental and the same being sold under the latter's brand name in India.

After completion of the transaction, MTCL will become a fully-owned subsidiary of Continental Corporation. The company will focus on local production



and distribution of bias and radial truck/bus tyres as well as radial passenger car tyres for the Indian market. This development underlines Continental's commitment to the Indian market and is part of the company's strategy to invest in growing markets in Asia for its core businesses.

While the officials of both companies were not available for comments, sources in the know told the *FE* that Modi Tyres has the installed capacity of 1.2 million tyres per annum at its plant in Meerut in Uttar Pradesh and has been producing

60% of the capacity. The company has been making products for trucks and buses and with Continental in place, it will not only ramp its production but also will make it big on the passenger car radials.

According to sources, the company which had to close down its plant owing to financial problems for sometime a few years back, had revived its prospects in 2009 with the association of Continental. The company which was earlier supplying to OEMs, has now been selling in the replacement market. "We are not producing to the fullest of our capacity. Only 60% of the capacity is being produced now. Of this, nearly 10% is being exported to countries such as Bangladesh, Middle East, Pakistan and other neighbouring countries," the sources pointed out.

The proposed acquisition will definitely help Continental. "We are committed to making individual mobility safer, more comfortable and more sustainable and it is in our interest to invest in both development and manufacturing in emerging markets. India is a growing market and we see huge potential here," a statement further said.