

# Continental in talks to buy 51% stake in Modi Rubber

BLOOMBERG

BY SNEHA SHAH  
sneha.s@livemint.com

MUMBAI

German tyre maker Continental AG is in advanced talks with Modi Rubber Ltd to buy at least a 51% stake in the Indian company, according to two people involved in the discussions.

"The talks are on between the two groups for an equity stake sale. Continental is keen on a strategic stake above 51%," said a lender to Modi Rubber. "Continental was waiting for the company to turn around and repay its lenders before it picks up a stake."

The V.K. Modi-owned company in 2003 was referred to India's Board for Industrial and Financial Reconstruction after its accumulated losses exceeded its net worth.

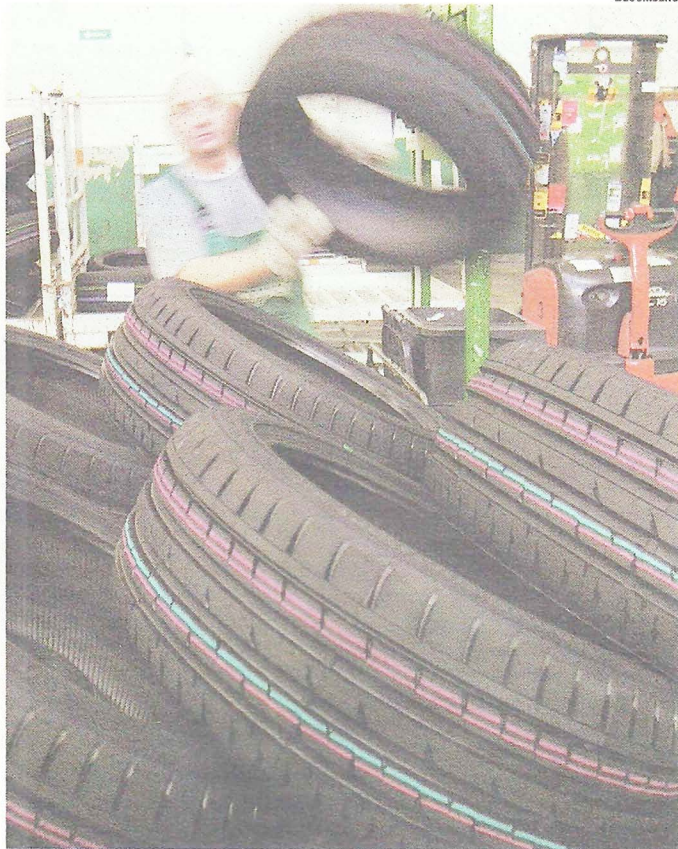
The company reported a net profit of ₹4.64 crore in the three months ended 31 December compared with ₹11.5 lakh in the year-ago period.

It showed no sales and income from regular operations in the quarter but posted a spike in other income at ₹7.44 crore from ₹2.97 crore a year ago.

The company paid off its secured lenders in the year ended March 2010 but still has ₹60.02 crore in unsecured debt on its books. Modi Rubber's market capitalization was ₹141 crore on 11 April. Stock markets were shut on Tuesday because of a public holiday.

Since 2004, Modi Tyres Co. Pvt. Ltd, a unit of Modi Rubber, has been making Continental-branded truck and bus tyres for the local market.

"There are organizational changes taking place in the company due to the deal with Continental AG. It's a transition phase for us," a compa-



**Equity sale:** An employee stacks tyres at the Continental AG factory in Aachen, Germany.

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**Modi Rubber reported a net profit of ₹4.64 crore in the three months ended 31 December**

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ny executive said. Both the lender and the executive spoke on condition of anonymity.

Alok Modi, chairman and managing director of Modi Rubber, declined to comment on the matter. An email sent to Continental on 28 March did not elicit response.

Many multinational tyre makers such as Goodyear, Michelin and Bridgestone

are present in the Indian market and it would be difficult for Continental to garner market share, said an analyst at a domestic brokerage.

"The tyre industry in India is already matured with almost all kinds of sophisticated products available globally are being sold in India," the analyst said, requesting anonymity. "With Chinese tyre manufacturers giving tough competition to established brands, the technological edge has gone for these companies."

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