Bargaining Power of Suppliers

Rubber

There are two reasons behind this being low first one is most of the tyre firms get 150 days credit for buying the rubber from international market which is not the case if they buy it from domestic growers. And the second reason is credit is being offered at LIBOR which is the London Interbank Offered Rate. It is the rate of Interest at which banks borrow funds from other banks Other petrochemical based material

The power of suppliers is high in this category as India is limping back in case of petro based raw materials like carbon black and chemicals which account in quantity terms but are high cost generators. Also the price of NTC fluctuates in line with the prices of Caprolactum (a petroleum derivative) its main raw material. The prices of these materials are beyond the control of tyre Industry.

Bargaining power of Buyers OEM's The OEMs are always in strong position when the bargaining power of buyers is concerned. The reason behind this is most of them are having contract with their relative tyre manufacturer under which the prices of tyre remain stable for this OEM irrespective of market price. The benefits are given to them as they are buying in bulk and the relation gives the tyre firm something called brand association. Replacement The scene in replacement segment is quite reverse as the bargaining power for the replacement segment is moderate due to the fact that the buyers are not that strong as compared to OEMs. The demand in buses and truck segment is always high because of Indian poor road conditions apart from the purchase is made in small units.

Threat of substitute It is moderate as the industry is facing opposition from retreading sector all over the globe. This cheaper option around 20-25 % of the original tyre cost is present in developed countries since some decade back.

Threat of new entrants The threat of new entrant is moderate or can be described as low because the industry is highly capital intensive and the level of technological expertise required is also highly specific. But if we see from domestic industry's point of view,this better can be defined as high. The reason being global tyre industry is already seeing mergers and acquisitions in order to restructure. And as of now India and china going to be the hub of activities as far as tyre industry is concerned due to low production cost as well as other relevant benefits.

Industry Rivalry High, because gradually the overseas players are capable of expanding their wings over Indian tyre Industry and also limited and every player is moving towards automated technology like ERP and SCM.Apart from the mentioned reason the industry is seeing high competitive scenario at present because of various reasons like rising input costs, low realization from growing OEM segment where the vehicle segment is not ready to share their burden of tyre firms.