

BUZZING

STOCK

## JK Tyre & Industries Ltd.

CMP – Rs.132

### Analyst

Viren Bajalia  
viren.bajalia@idbicapital.com  
+91-22-6637 1184

### Key Stock Data

Sensex	13796
Nifty	4077
Sector	Tyres - Large
Bloomberg	JKI IN
Reuters	JKIN.BO
No. of shares (m)	31
Market Cap (Rs m)	4,092
Market Cap (US\$ m)	99
52-week H/L	Rs.160/65

### Shareholding Pattern (%)

Promoters	48.68
Mutual Funds	17.54
FII's	0.82
Corporate Bodies	16.61
Pubic & Others	14.56

### Business Overview

JK Industries (JKI), the flagship company of the Hari Shankar Singhania Group is one of the leading automotive tyres manufacturers in India. It is the 3<sup>rd</sup> largest player in tyre industry controlling 16% of the market. It is pioneer in Radial Technology and currently the only Truck Radial manufacturer in India. The company manufactures tyres and tubes, and steel-belted radial tyres, under the brand name JK Tyres. For the manufacturing of tyres JKI has technical collaboration with General Tire International, US and Continental AG, Germany.

### Impressive market share

With heavy investment in infrastructure and accelerated economic activity, the Road Transport Sector and the Tyre Industry are the natural beneficiaries. JKI is reaping the benefits of the expansion of the truck radial and passenger radial capacities completed in the last year.

While in the passenger radial segment JKI enjoys a market share of ~24%, in the truck and bus radial segment its market share is close to 80%. In the light truck radial segment the company enjoys close to 25% market share.

### Aggressive Capex plans

The company has recently concluded the expansion of truck radial and passenger radial capacities. The truck capacity has gone up by around 50 percent to ~ 4 lakh tyres per year. In the passenger radial segment, they have scaled up their production capacities by around 30 percent in FY06 and are further expanded it by around 35 percent. The expansion shall be completed by the end of this financial year. Post expansion, the company shall have a capacity to produce 4.4 million tyres per year in the passenger radial segment. JKI has invested Rs.2250m to complete both these expansions.

Going forward, the company plans to invest Rs.1200m in the next 12 months to scale up the capacities by 50 percent in the Off the Road (OTR) segment used by the mining, cement, coal and earth-moving sectors.

### Equity Restructuring

JK Industries is hiving off its investment business into a separate entity by the name of Netflir Technologies Ltd. (NTL). This restructuring exercise would enable JKI to emerge as a completely tyre focused company. Under the scheme of arrangement the existing shareholders of JKI, holding 100 shares have received 75 shares of JKI and 25 shares of the new investment company (NTL).

### Q2FY07 – Results Highlights

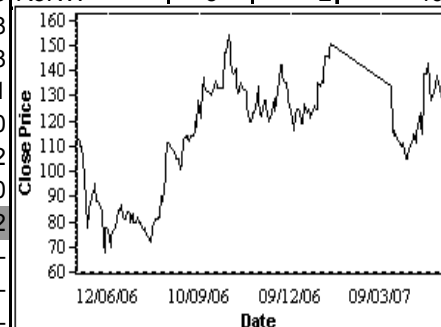
Sales bounded up to Rs.7,468m, a growth of 19% YoY. A positive topline was escorted by upbeat margins – a rise of 289bps from 5% to 7.9%. Operating Profits spiraled up to Rs.624m, a growth of 54% YoY. PAT during the quarter skyrocketed 206% YoY to Rs.138m.

### Outlook

The India tyre industry is expected to continue its growth momentum buoyed by the increase in demand for automobiles and sustained economic growth. Going forward, we believe JK industries to benefit from the potential volume growth and continued thrust on growth segments like specialty (OTR) tyres. The stock is currently trading at 7.4x its annualized Q2FY07 annualised EPS of Rs.17.9.

### Financial Snapshot

JK Tyre & Industries Ltd.						Rs.m	Ratios (%)			
Financial Year End: September	Q2 FY07	Q2 FY06	Chg. (%)	FY06	FY05	Chg. (%)		FY06 9M	FY05 9M	Chg.(%)
Net Sales	7468	6250	19	26092	20791	26	Debt -Equity	2.3	2.0	16
Other Income	31	81	(61)	176	164	7	PBIDTM	6	5	6
Total Income	7500	6332	18	26268	20955	25	PBDTM	3	2	19
Total Expenditure	6876	5935	16	24579	19640	25	RoCE	8	5	41
PBIDT	624	397	57	1689	1315	28	RoNW	3	2	40
Interest	217	189	15	762	645	18				
PBDT	408	208	96	927	671	38				
Depreciation	191	172	11	709	637	11				
Tax	0	0	0	0	0	0				
Reported Profit After Tax	138	36	283	171	168	2				
Extra -ordinary Items	0	0	0	0	0	0				
Adj. Profit After Extra-ordinary item	138	36	283	171	168	2				
No. of shares (m)	31	37	-	37	37	-				
EPS (annualised.) (Rs.)	17.9	5.1	-	5.5	4.5	-				
P/E	7.4	25.8	-	23.8	29.5	-				



For further clarifications contact: Anita Bhat; anita.bhat@idbicapital.com; 91-22-6637 1187 / S. Narasimhan Rao; narasimhan.rao@idbicapital.com; 91-22-6637 1165

**Disclaimer:**  
 This document has been prepared by IDBI Capital Market Services Ltd (IDBI Capital) and is meant for the recipient for use as intended and not for circulation. This document should not be reported or copied or made available to others. The information contained herein is from the public domain or sources believed to be reliable. While reasonable care has been taken to ensure that information given is at the time believed to be fair and correct and opinions based thereupon are reasonable, due to the very nature of research it cannot be warranted or represented that it is accurate or complete and it should not be relied upon as such. IDBI Capital, its directors and employees, will not in any way be responsible for the contents of this report. This is not an offer to sell or a solicitation to buy any securities. The securities discussed in this report may not be suitable for all investors. Investors must make their own investment decision based on their own investment objectives, goals and financial position and based on their own analysis. IDBI Capital, its directors or employees, may from time to time, have positions in, or options on, and buy and sell securities referred to herein. IDBI Capital, during the normal course of business, from time to time, may solicit from or perform investment banking or other services for any company mentioned in this document.