



JK Tyre Ltd. Q4 FY17 Quarterly Update

MARKET DATA

NSE TICKER	JKTYRE
Networth FY17E (Rs in Crs)	1964.8
P/BV Ratio (FY17E) (x)	2.1X
EPS (FY17E)(Rs.)	16.6
Market Price (Rs.)	176
P/E Ratio (FY18E) (x)	10.8X
52 Week High (04/07/2016)(Rs)	185
52 Week Low (03/05/2016)(Rs)	79
Market Capitalisation (rs. Cr)	4058

AVERAGE MONTHLY VOLUME ('000)

BSE	499.0
NSE	2,994.0

SHARE HOLDING PATTERN

Promoter	52.3
FII	10.5
DII	1.7
Public	35.5

RETURN (%)

	3M	6M	12M
JK Tyre	46.5	44.3	108.3
Sensex	5.9	10.0	16.9

Harsh Shah (Research Analyst)

harsh.shah@dimensional.in

+91-22-66545231

JK Tyre's (JKT) consolidated revenues came in at Rs. 2309 cr, implying a growth of 20.8% YoY. The big jump in revenue was primarily due to acquisition of Cavendish Industries which was not present in corresponding quarter. On Standalone basis, JKT's revenues grew by 7.8% to Rs. 1791 cr. Owing to sharp increase in Raw Material price basket, company's gross margin (on standalone basis) during the quarter declined by 12% YoY to 29.9%. On sequential basis, the gross margin deteriorated by 10%. This resulted in 63.1% decline in EBITDA from 237.4 cr in corresponding quarter to 87.6 cr. while company's EBITDA Margin contracted 9.4% YoY (7.6% QoQ) to 4.9% JKT's PAT plummeted to eight quarter's low of Rs. 71 cr, down 32.7% YoY and 9% QoQ.

Outlook:

Decline in Chinese Imports and increasing radialization to aide top line.

During the quarter, the growth in the revenues was led by higher sales in aftermarket CV segment where Chinese imports had dramatically declined post demonetization. With nearly 85% of JKT's revenues coming from CV segment (and 58% replacement), it reaped big benefits as far as gaining market share is concerned. There is no near term threat of Chinese import revving up as they have redirected their production to the US market after the levy of Anti-Dumping Duty was ruled out by US Authorities.

JKT is also well placed to benefit from increasing radialization in Indian CV industry. Radialization of tyres (T&B) in India have moved up from 22% in FY13 to 44% in FY16 and going ahead the same is expected to go up to 66% of total T&B Tyres. Currently, ~55% of JKT's turnover comes from radial tyres and with expanded capacity it is expected to inch up to 65% in next 2-3 years.

Reversal in commodity prices and turnaround of Cavendish to support margins

The RM price basket has started correcting again after rallying sharply during Dec-Jan period. The domestic rubber prices have fallen ~25% from its highs of January while Brent Crude has declined by ~10%. Lowering commodity prices coupled with recent hikes taken by the company will recoup the margins which fell to 2 years' low during current quarter.

Another area of focus for JKT is to turnaround its recent acquisition Cavendish Industries (CIL) which posted huge losses during FY16. Company's efforts are already paying dividends as CIL ended FY17 as PAT positive.

Quarterly Performance:

Particulars (Rs in crs)	Q4 FY17	Q4 FY16	YoY (%)	Q3 FY17	QoQ (%)	FY17	FY16	y-o-y
Net Sales	1790.6	1661.8	7.7	1421.9	25.9	7689.3	6953.1	10.6
RM Cost	1145.1	863.5	--	868.1	--	4343.5	3869.4	--
RM Cost as % of Sales	64.0%	52.0%	--	61.0%	--	56.5%	55.7%	-90 bps
EBITDA	87.6	237.4	-63.1	177.6	-50.7	1132.4	1140.9	-0.7%
EBITDA Margin	4.9%	14.3%	- 940 bps	12.5%	- 760 bps	14.7%	16.4%	- 170 bps
Interest	66.0	58.8	--	70.1	--	440.4	245.4	--
PBT	71.9	136.8	-47.4	124.5	-42.2	535.2	669.3	-20.0
Tax	0.9	31.1	--	46.3	--	155.4	215.7	--
PAT	71.0	105.6	-32.8	78.2	-9.2	379.8	453.6	-16.3
EPS	3.1	4.7	-32.8	3.5	-9.2	16.6	20.4	-18.8



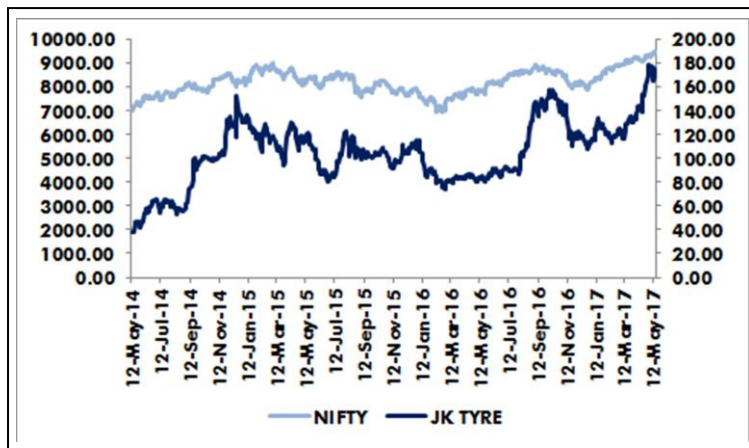
With major capex behind, focus to be on debt repayment.

Most of JKT's Capex plans are over now with capacity expansion at Chennai Plant and acquisition of Cavendish done during the year. Going ahead, focus of the company will mainly be on repayment of debt using its free cash flows as no major Capex are lined up.

Valuation & View:

At CMP of Rs. 178, JK Tyres is trading at 10.8X TTM P/E. Given its large exposure to cyclical domestic CV, the company has always traded at a discount to its peers. Key downside risks for the stock can stem for increase in RM prices, mainly crude and natural Rubber, slowdown in CV industry and increase in dumping by Chinese players.

3-Yr Price comparison




JK Tyre Ltd.- Profit/Loss Statement

DESCRIPTION	FY15	FY16	FY17
Net Sales	7383.7	6953.1	8317.8
EXPENDITURE :			
Raw Material Consumed	4571.6	3869.4	4343.5
Employee Cost	728.9	780.7	854.3
Other Operating Exp.	1152.5	1161.5	-5197.8
Total Expenditure	6453.0	5811.6	7185.4
EBITDA	930.8	1141.5	1132.4
Depreciation	157.8	196.1	291.3
EBIT	773.0	945.4	841.1
Other Income	16.9	16.7	65.4
Interest	257.4	245.4	440.4
Exceptional Item	-59.5	-46.9	69.1
PBT	472.9	669.8	535.2
Provision for Tax	161.7	215.7	155.4
Profit After Tax	311.3	454.1	379.8
EPS	14.5	20.4	16.6

JK Tyre Ltd.- Cash Flow

DESCRIPTION	FY15	FY16
Profit Before Tax	485.6	669.0
Adjustment	430.2	459.9
Changes In working Capital	-50.6	-65.6
Cash Flow after Working Capital	865.2	1063.3
Tax Paid	-131.0	-160.3
Cash From Operating Activities	734.2	903.0
Cash Flow from Investing Activities	-799.9	-506.0
Cash from Financing Activities	-1.2	-422.4
Net Cash Inflow / Outflow	-67.0	-25.4
Opening Cash & Cash Equivalents	235.6	162.8
Foreign Exchange Fluctuations	-5.8	-5.2
Closing Cash & Cash Equivalent	162.8	132.2

JK Tyre Ltd.- Balance Sheet

DESCRIPTION	FY15	FY16	FY17
Share Capital	45.4	45.4	45.4
Total Reserves	1355.7	1703.1	1919.4
Shareholder's Funds	1401.0	1748.5	1964.8
Long-Term Borrowings	1503.6	1558.4	3570.3
Deferred Tax Assets / Liabilities	319.8	435.5	626.6
Other Non-Current Liabilities	410.7	385.2	491.3
Total Non-Current Liabilities	2234.1	2379.2	4688.3
Current Liabilities			
Trade Payables	1054.5	955.4	1213.7
Short Term Borrowings	1205.8	1111.3	1805.7
Other Current Liabilities	1008.4	1150.3	952.2
Total Current Liabilities	3268.7	3216.9	3971.6
Total Liabilities	6903.8	7344.6	10624.6
ASSETS			
Net Block	3531.6	3858.8	6114.6
Long Term Loans & Advances	186.5	204.6	45.3
Other Non Current Assets	216.1	215.6	404.7
Total Non-Current Assets	3934.3	4278.9	6564.6
Current Assets			
Inventories	875.0	872.5	1320.4
Sundry Debtors	1434.6	1402.7	1794.6
Cash and Equivalents	190.6	139.4	295.3
Short Term Loans and Advances	469.4	651.0	649.7
Total Current Assets	2969.6	3065.6	4060.0
Total Assets	6903.8	7344.6	10624.6

JK Tyre Ltd.- Key Ratios

DESCRIPTION	FY15	FY16	FY17
RoE	26.1	28.8	20.4
RoCE	18.2	20.2	12.5
Inventory Days	41	41	45
Debtor Days	63	68	70.0
Creditor Days	60	63	64
Debt/Equity	2.1	1.7	3.5
Interest Coverage	2.9	3.7	1.9
Fixed Asset Turnover	1.7	1.4	1.5
Adj. P/E	7.3	4.1	10.8
Adj. P/BV	1.7	1.1	2.1



ANALYST CERTIFICATION

I (Harsh Shah), Research Analyst, author and the name subscribed to this report; hereby certify that all of the views expressed in this research report accurately reflect our views about the subject issuer(s) or securities. We also certify that no part of our compensation was, is, or will be directly or indirectly related to the specific recommendation(s) or view(s) in this report.

Terms & conditions and other disclosures:

Dimensional Securities Private Limited (DSPL) is engaged in the business of stock broking and distribution of financial products. This Report has been prepared by Dimensional Securities Private Limited (DSPL) in the capacity of a Research Analyst having SEBI Registration No. INH000001444 and distributed as per SEBI (Research Analysts) Regulations 2014.

The information and opinions in this report have been prepared by DSPL and are subject to change without any notice. The report and information contained herein is strictly confidential and meant solely for the selected recipient and may not be altered in any way, transmitted to, copied or distributed, in part or in whole, to any other person or to the media or reproduced in any form, without prior written consent of DSPL. While we would endeavour to update the information herein on a reasonable basis, DSPL is under no obligation to update or keep the information current. Also, there may be regulatory, compliance or other reasons that may prevent DSPL from doing so.

This report is based on information obtained from public sources and sources believed to be reliable, but no independent verification has been made nor is its accuracy or completeness guaranteed. This report and information herein is solely for informational purpose and shall not be used or considered as an offer document or solicitation of offer to buy or sell or subscribe for securities or other financial instruments. Nothing in this report constitutes investment, legal, accounting and tax advice or a representation that any investment or strategy is suitable or appropriate to your specific circumstances. The securities discussed and opinions expressed in this report may not be suitable for all investors, who must make their own investment decisions, based on their own investment objectives, financial positions and needs of specific recipient. This may not be taken in substitution for the exercise of independent judgment by any recipient. The recipient should independently evaluate the investment risks. DSPL or its associates accept no liabilities whatsoever for any loss or damage of any kind arising out of the use of this report. Past performance is not necessarily a guide to future performance. Investors are advised to see Risk Disclosure Document to understand the risks associated before investing in the securities markets. Actual results may differ materially from those set forth in projections. Forward-looking statements are not predictions and may be subject to change without notice.

DSPL encourages independence in research report preparation and strives to minimize conflict in preparation of research report. DSPL or its analysts did not receive any compensation or other benefits from the companies mentioned in the report or third party in connection with preparation of the research report. Accordingly, neither DSPL nor Research Analysts have any material conflict of interest at the time of publication of this report.

It is confirmed that (Harsh Shah), Research Analyst of this report have not received any compensation from the companies mentioned in the report in the preceding twelve months.

Compensation of our Research Analysts is not based on any specific merchant banking, investment banking or brokerage service transactions. DSPL or its associates collectively or Research Analysts do not own 1% or more of the equity securities of the Company mentioned in the report as of the last day of the month preceding the publication of the research report.

Since associates of DSPL are engaged in various financial service businesses, they might have financial interests or beneficial ownership in various companies including the subject company/companies mentioned in this report.

It is confirmed that (Harsh Shah), Research Analyst do not serve as an officer, director or employee of the companies mentioned in the report.

DSPL may have issued other reports that are inconsistent with and reach different conclusion from the information presented in this report.

We submit that no material disciplinary action has been taken on DSPL by any Regulatory Authority impacting Equity Research Analysis activities.

This report is not directed or intended for distribution to, or use by, any person or entity who is a citizen or resident of or located in any locality, state, country or other jurisdiction, where such distribution, publication, availability or use would be contrary to law, regulation or which would subject DSPL and associates to any registration or licensing requirement within such jurisdiction.

The securities described herein may or may not be eligible for sale in all jurisdictions or to certain category of investors. Persons in whose possession this document may come are required to inform themselves of and to observe such restriction.

DSPL shall not be liable for any delay or any other interruption which may occur in presenting the data due to any reason including network (Internet) reasons or snags in the system, break down of the system or any other equipment, server breakdown, maintenance shutdown, breakdown of communication services or inability of DSPL to present the data. In no event shall DSPL be liable for any damages, including without limitation direct or indirect, special, incidental, or consequential damages, losses or expenses arising in connection with the data presented by DSPL through this report.