

LIQUID TALK

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# JK TYRE & INDUSTRIES LTD

MAY 29, 2021

**CURRENT PRICE : 127 | TARGET PRICE : 160 | TARGET PERIOD : 12 MONTHS**

**Incorporated : 1951**

**Sector : Tyres | Small Cap Company (Market Cap Rs. 3,143.14 Cr)**

**Dividend Yield : 0.55%**

**52W High / Low : 146.75 / 50.60**

**Face Value : 10**

**PE Ratio / Industry PE : 9.86 / 17**

JK Tyre & Industries is the flagship company of the JK group which is headed by Dr R P Singhania as its chairman and managing director. It is a one of the leading tyre manufacturers in India and amongst the top 25 manufacturers in the world with a wide range of products catering to diverse business segments that includes Truck/Bus, LCV (Light commercial vehicles), Passenger Cars, MUV (Multi utility vehicles) and Tractors. Company's portfolio includes a range of brands including JKTyre, Vikrat, Tornel, Challenger & Blaze.

## Recent News

J K Tyre Q4 results : Net Profit rises to Rs. 195 crore - May 19, 2021

We will strengthen supply in the replacement market, step up focus on exports, say JK Tyer CMD - July 28, 2020

J K Tyre starts operations in the US - June 1, 2020

Covid-19: JK Tyre leadership team takes pay cut - March 24, 2020

*Source : The Economic Times*



## Business Overview

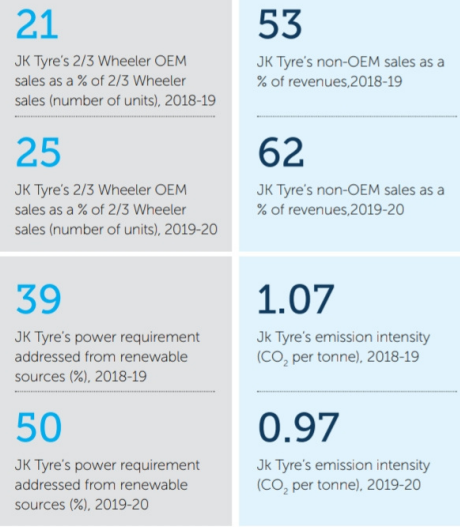
JK Tyre focused on robust growth in the Indian market, validated by a substantial increase in vehicle ownership in India. During the last financial year, the Company began to focus deeper on growing its international presence, strengthening research that made it possible to produce products customized for diverse terrains, engage in extensive testing against the best tyres in the world and demonstrate that the quality being delivered by the Company compared with the best.

By Revenue Segment – FY20 (Consolidated)



The Company strengthened its positioning as any-season and any market provider as opposed to marketing globally only in years of excess supply or weak Indian market conditions. In addition to diversifying the Company's geographic away from an excessive dependence on India, the strategy will help the Company build a sustainable global brand.

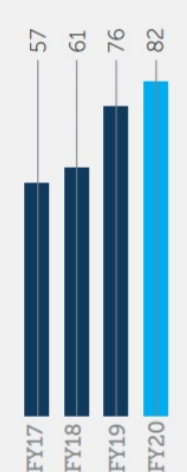
Our performance relative to 2018-19



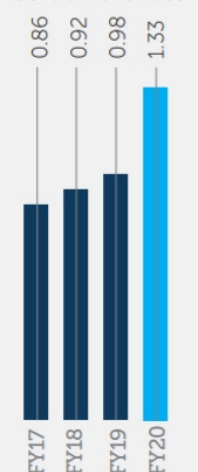
Big numbers (Standalone)

Year	FY17	FY18	FY19	FY20
Exports (₹ crores)	631	889	761	1036
Exports as % of company's revenues (₹ crores)	11	14	10	17

R&D spending (₹ crores)



R&D spending as % of revenues



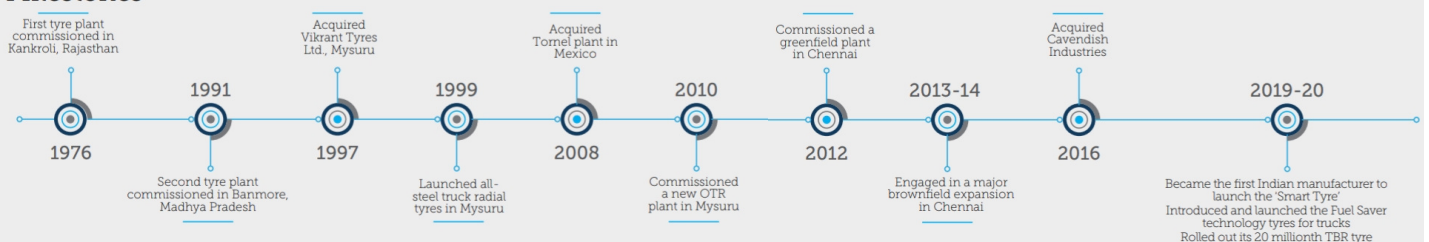
Revenue segmentation – FY20 (Consolidated)

By market	
Replacement	68%
OEMs	17%
Exports	15%

By customer mix – FY20 (India Operations)

Truck & Bus (Bias and Radial)		Truck Radial		Passenger Car	
Replacement	66%	Replacement	60%	Replacement	60%
OEMs	17%	OEMs	20%	OEMs	25%
Exports	17%	Exports	20%	Exports	15%

## Milestones



## Financial Performance

PARTICULARS	2019-20	2018-19
Interest Coverage Ratio (Times)	1.98	2.55
Current Ratio (Times)	0.98	1.04
Operating/EBITDA Margin (%)	11.07	10.50
Net Profit Margin (%)	3.74	2.66
Return on Networth (%)	11.00	11.23

Most Key Financial Indicators show a positive performance in FY2019-20 wrt FY2018-19.

While operating indicators like the Operating Profit & Net Profit Margins have improved, the company's Interest Coverage Ratio and Current Ratio has reduced due to the lesser revenues earned in FY2019-20.

The Return on Net Worth - a measure of Net Income divided by Shareholders' Equity - has marginally reduced compared to FY2018-19.

In Rs. Crores	ACTUAL			FORECASTED	
	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022
<b>Revenue</b>	8418.22	10,452.01	8,753.29	9541.09	11449.30
<b>Net Profit</b>	66.04	176.34	150.76	164.33	197.19
<b>Basic EPS (₹)</b>	2.91	7.77	6.12	6.67	8.00

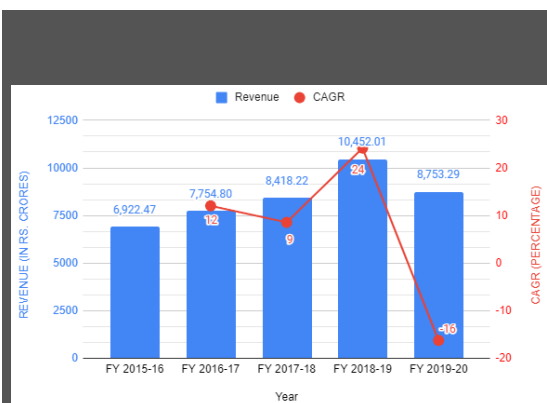
9% YoY Revenue rise in 2021 & 20% in 2022\*

\*Forecasted using weighted average growth rates and significantly conservative approach to 2020-21 growth rates considering the Covid-19 setbacks and economic slowdown

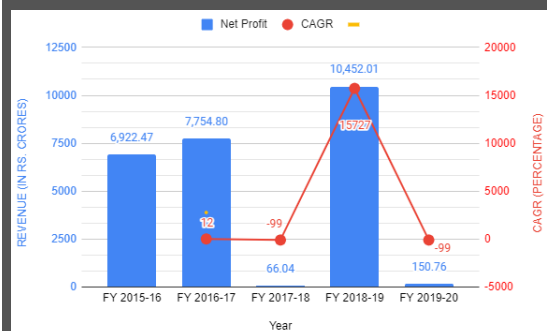
## Corporate Leadership

### Chairman & MD - Ragupati Singhania

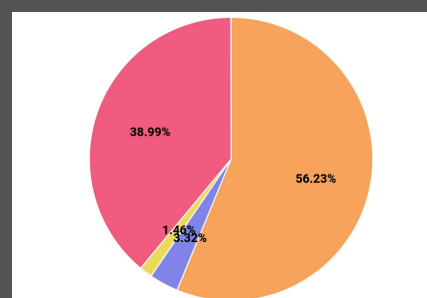
Having graduated from the University of Calcutta, he belongs to the Singhania family which owns the JK Group. As of date, there is nothing derogatory in his personal or professional records.



On an average, the **Revenue** has grown at a CAGR of **7%** over the last 5 years



On an average, the **Net Profit** has grown at a CAGR of **3885%** over the last 5 years



Category	Shares	Percentage
Promoter	13,84,50,055	56.23%
Pledge	0	0.00%
FII	81,69,603	3.32%
DII	35,60,158	1.46%
MF	63,461	0.03%
Others	9,60,51,064	38.99%

## Peer Analysis

Company	Current Price	PE	Revenue CAGR	Basic EPS	Current Ratio	Debt-Equity
JK Tyre	126.90	9.79	4.08	6.12	0.98	2.2
Balkrishna	2,189.55	35.97	8.29	49.64	1.23	0.19
MRF	83,369.00	21.78	6.37	3354.2	1.55	0.12
Apollo	223.75	17.83	7.02	8.33	0.96	0.66
Ceat	1,319.80	12.35	8.33	57.17	0.79	0.65

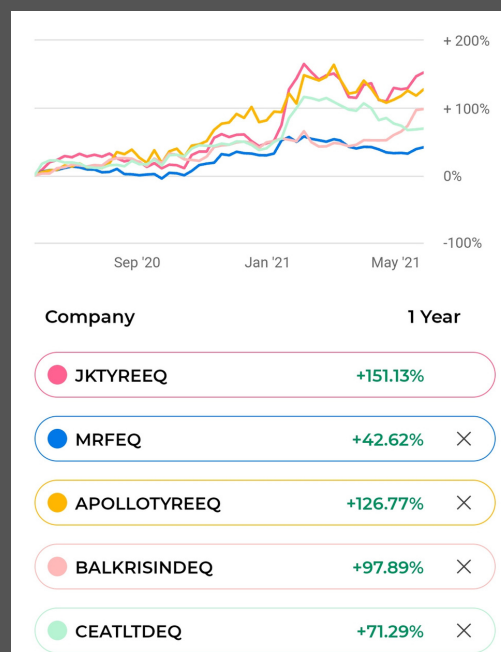
Although the EPS is comparatively low, the PE Ratio is also low, opening a potential for investment. Although the Revenue CARG is only 4.08%, JK Tyre has invested handsomely into Research and Development, supply chain strengthening, synergies building, exports stabilization and expansion.

The investments made in the previous financial years show a potential for share price appreciation.

## Recommendation

JK Tyre according to a thorough fundamental analysis is a comparatively risky investment with decent level of returns that will justify the risk.

As of **May 29, 2021, at a price of Rs. 127**, the recommendation is to **buy** the shares, and hold until a **target price of Rs. 160** for the target duration of **12 months** from date, ending May 28, 2022. The investment avenue should yield a **return of 25+%**.



Share Price Movement of JK Tyre and its competitors for the last 1 year