

## JK Tyre and Industries



**Current Market Price: 186.5(as of 13/05/2014)**

**52 Week High/Low : 241.00/80.55**

**Target Price : 290**

### Industry Overview

Tire market in India to grow at a CAGR of 15.57 percent over the period 2012-2016. One of the key factors contributing to this market growth is the steady economic growth in India. The Tire market in India has also been witnessing an increase in the export of tires from India. However, dependence on other countries for raw materials could pose a challenge to the growth of this market. Estimate a ~1-3 percent growth in industry revenues during 2013-14 to Rs. 454.0 billion and further by ~6-7 percent during 2014-15. With the growth in demand for 4 and 3 wheeler picking in subsequent years growth of tyre industry will improve and margin will improve.

### Company Overview

JK Tyre is leading 4 wheeler tyre manufacturer in India and 19<sup>th</sup> largest manufacturer in the world. JKTIL's nine modern plants are located at Mysore, Karnataka; Banmore, Madhya Pradesh; Kankroli, Rajasthan and Chennai, Tamil Nadu. During Q3FY14, consolidated net profit shot up by whopping 56% to 59 crore on 3% higher income of `1721 crore. Q3FY14 net profit included a gain of 19.7 crore towards sale of certain assets. Q3FY14 EPS works out at 14.3. During 9MFY14, net profit advanced 46% to `180 crore on 3.3% higher sales of 5404 crore. 9MFY14 EPS stands at `43.8 against `30.1 in 9MFY13. During FY13, consolidated net profit stood at `203.3 crore against a net loss of 32 crore in FY12. Sales & operating income during FY13 rose 3% to 6985 crore. EPS stood at 49.5 (Cash EPS 81.8). A dividend of 35% was paid.

### Key Ratio's

	FY13	FY14	FY15(e)
EPS	25.7	55	57.5
P/E	2.7	3.1	2.9
ROE (%)	14.22	15.6	16.1
ROA (%)	3.56	4.9	4.5
P/BV	0.87	0.71	0.60

### Peer Comparison

Name	Market Cap. (Rs. Cr.)	Net Interest Income	Net Profit	Total Assets	P/E	D/E	EPS	Market Cap/Sales Turnover
MRF	9,078.08	12,131.16	802.21	4,489.23	11.91	384.77	1797.02	0.69
Apollo Tyres	8,389.49	8,507.49	312.53	4,219.21	20.92	37.25	7.96	0.99
Balkrishna Ind	5,564.15	3,190.57	355.84	3,482.50	13.29	106.75	43.33	1.74
Ceat	1,393.46	5,354.81	253.78	1,550.49	5.49	23.47	70.59	0.29
<b>JK Tyre &amp; Ind</b>	<b>772.12</b>	<b>5,430.83</b>	<b>105.54</b>	<b>2,962.10</b>	<b>5.61</b>	<b>54.07</b>	<b>33.48</b>	<b>0.13</b>

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**Conclusion:** Buy with target price of Rs. 290

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