



# Investor Presentation

July 2017



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# Table of Contents

**1** JK Group: A Snapshot

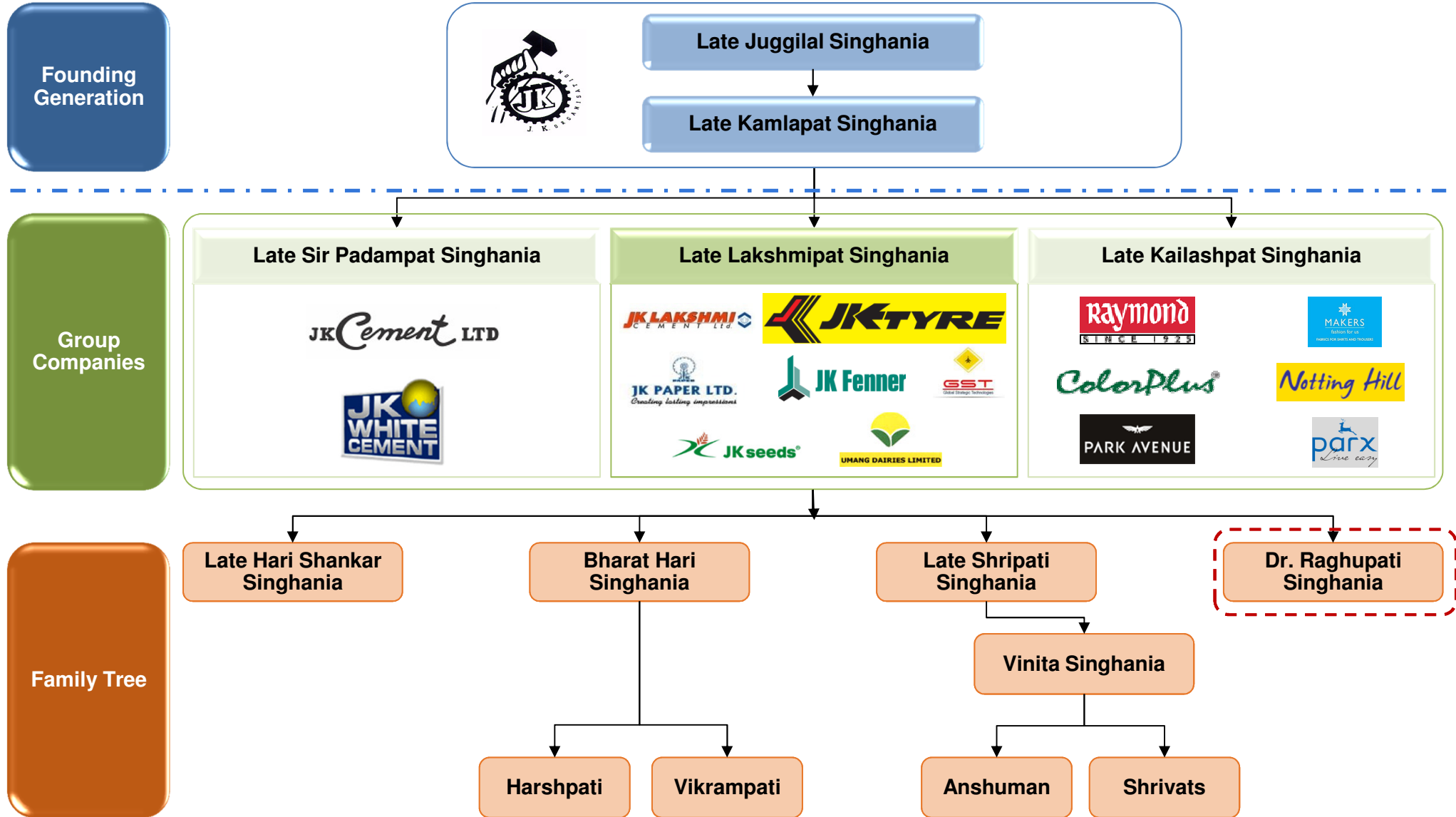
**2** Indian Tyre Industry Outlook

**3** JK Tyre: An Overview

**4** JK Tyre: Future Ready



# JK Group – Organization Structure & Family Tree










Founded over a 100 years ago, JK Group is one of the most eminent and leading industrial groups in India



# JK Tyre & Industries: An Overview



## JK Group Overview

 <p><b>JK LAKSHMI CEMENT LTD.</b></p> <p>Leading Cement manufacturer in Northern India</p> <p>Revenue<sup>1</sup> (\$m) 506 M Cap<sup>2</sup> (\$m) 873</p>	 <p><b>JKTYRE</b></p> <p>Pioneered Steel Belted Radial Tyres in India</p> <p>Revenue<sup>1</sup> (\$m) 1,280 M Cap<sup>2</sup> (\$m) 590</p>	 <p><b>JK PAPER LTD.</b> <i>Creating lasting impressions</i></p> <p>Largest Manufacturer of Branded Copier Paper in India</p> <p>Revenue<sup>1</sup> (\$m) 460 M Cap<sup>2</sup> (\$m) 231</p>
 <p><b>JKseeds®</b></p> <p>Leading Hybrid Seed Company in India</p> <p>Revenue<sup>1</sup> (\$m) 30 M Cap<sup>2</sup> (\$m) 52</p>	 <p><b>JK Fenner</b></p> <p>Pioneered Mechanical Power Transmission products in India</p> <p>Revenue<sup>1</sup> (\$m) 120</p>	 <p><b>UMANG DAIRIES LIMITED</b></p> <p>Leading Dairy company in India</p> <p>Revenue<sup>1</sup> (\$m) 146 M Cap<sup>2</sup> (\$m) 27</p>
 <p><b>PSRI HOSPITAL</b> Pushpawati Singhania Hospital &amp; Research Institute</p> <p>Hospital &amp; Health</p>	 <p><b>GST</b> Global Strategic Technologies</p> <p>Defence Electronics</p>	 <p><b>JK LAKSHMI PAT UNIVERSITY</b> ज्ञानम् अमृतम्</p> <p>Education</p>

### Notes:

- Gross Sales and Operating Income for FY ending March 2017. FX Rate of USDINR 65.
- As of 3<sup>rd</sup> July 2017

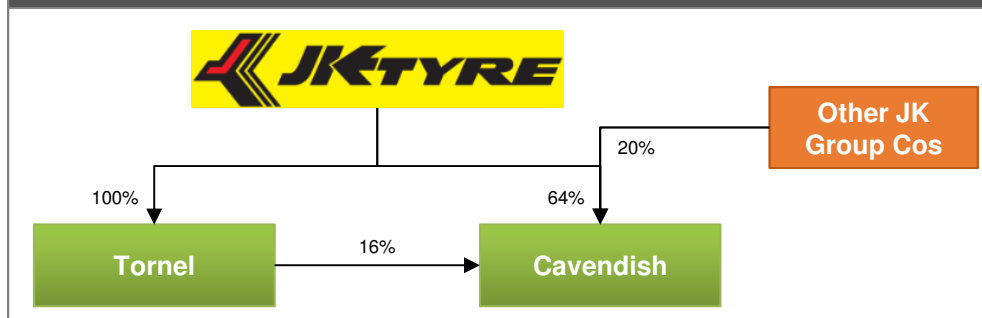
## JK Tyre: Business Overview

- Established tyre business in 1976, JK Tyres is the **No. 1 in Truck and Bus Radial (TBR) tyre manufacturer in India with highest market share<sup>1</sup>**
- Global Brands:   
- Ranked as the **24<sup>th</sup> largest** tyre manufacturing company globally
- Annual capacity of **33mn Tyres with 12 manufacturing plants** globally
- Wide range of products with a presence in over 105 countries
- 1<sup>st</sup> Indian tyre company** to have **verified Carbon Footprint** as per IS-14064
- Among the **top 4 energy efficient tyre companies** in the world (10.3Gj/Ton)
- One of the world's lowest consumers of water** per ton of tyre manufactured (2.8 cu.m/Ton)
- Vast distribution and service network with over 4,000 dealers in India

### Notes:

- Based on internal estimates of units sold.

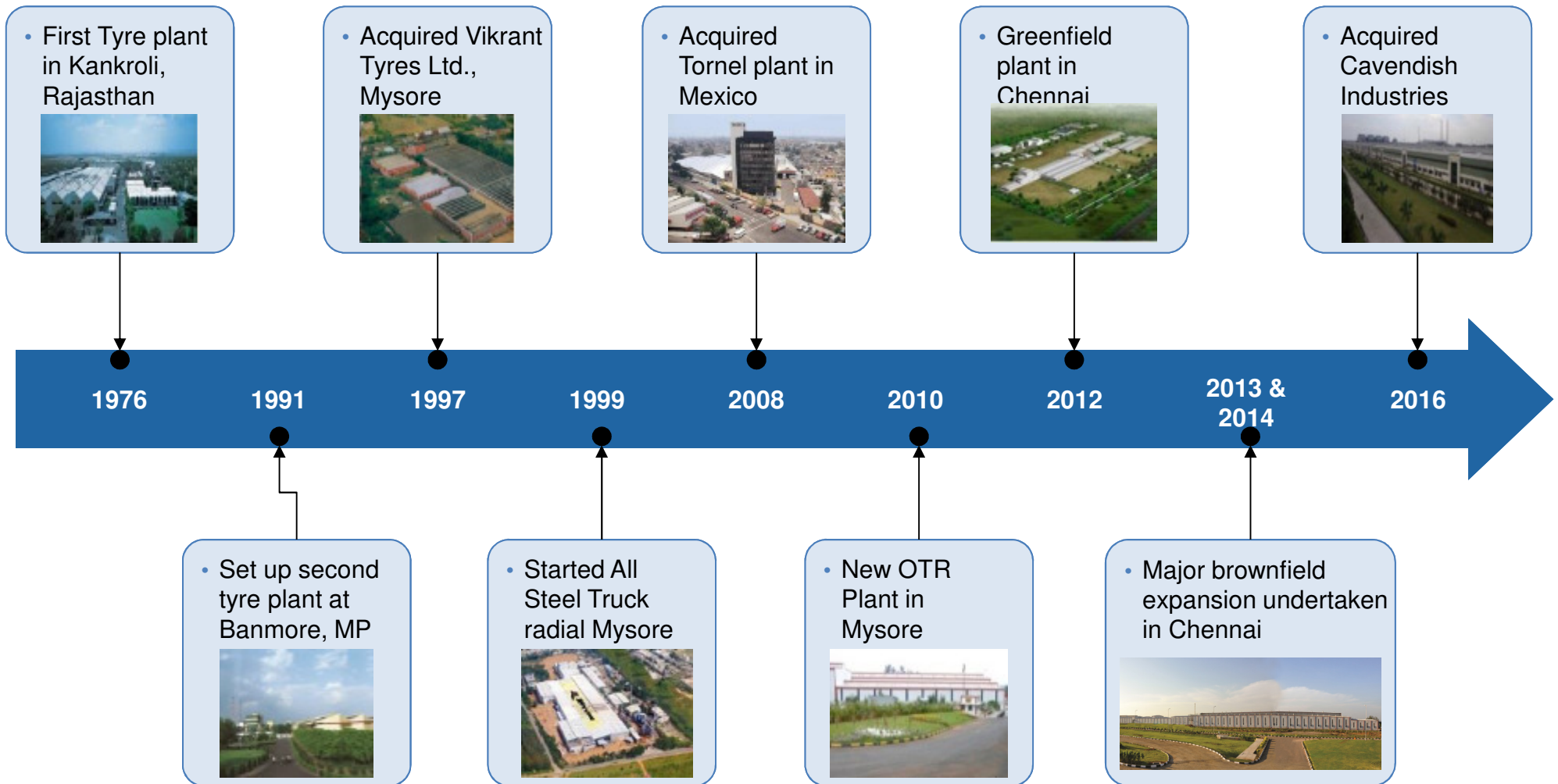
## Corporate Structure



Indian Powerhouse in the Tyre Industry Spreading its Wings Domestically and Internationally



# The Journey So Far: Key Milestones



JK Tyres has Maintained a Strong Track Record of Organic and Inorganic Growth over Time



# Table of Contents

**1** JK Group: A Snapshot

**2** Indian Tyre Industry Outlook

**3** JK Tyre: An Overview

**4** JK Tyre: Future Ready



# Industry Overview

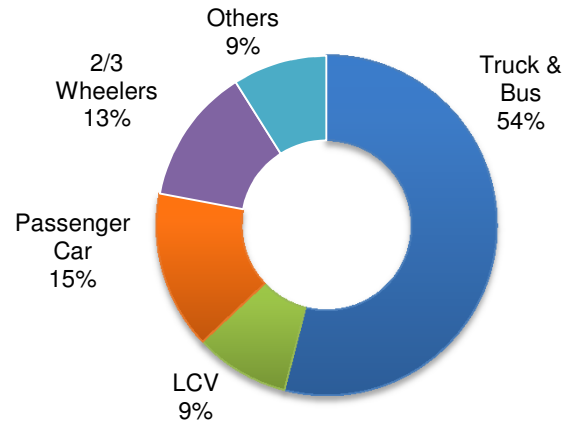
## Indian Tyre Industry Overview

### Overview:

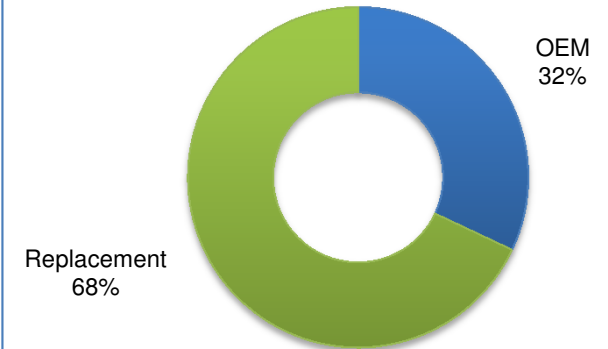
- Indian Tyre Industry generates over US\$ 8.0 bn in turnover
- Commercial Tyre segment (Truck/Bus & LCVs) accounts for ~2/3<sup>rd</sup> (by value) of total tyre market
- Indian exports – c. US\$ 1.7 bn to over 100 countries
- Radialisation key driver for growth:
  - Car Tyres: 98%
  - Truck Tyres: 47% (OEM: 74%)

Source: Industry Reports and SIAM.

### By Revenue Segment – FY17



### By End Market – FY17



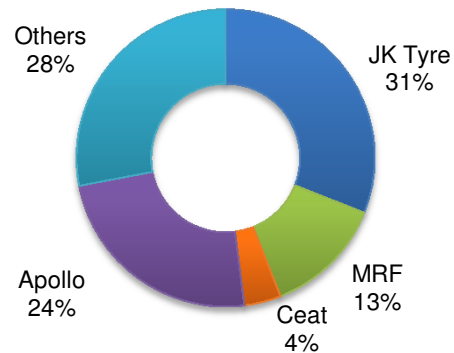
## Domestic Competitive Landscape

### Key Players:

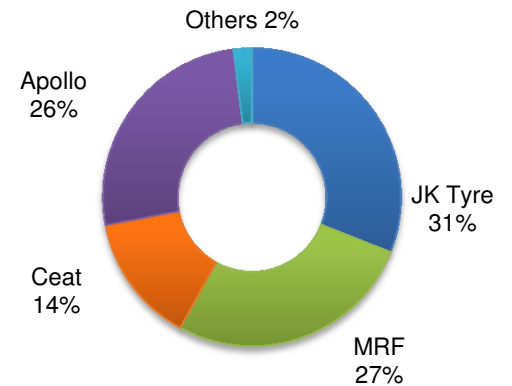
- Indian tyre market comprises of global majors and domestic brands
- Top 5 global tyre players already have a presence in the Indian market
- Top 3 to 4 domestic brands dominate the Indian tyre market



### Truck and Bus Radial (TBR) Market Share<sup>1</sup> – FY17



### Light Commercial Vehicle incl SUV (Bias + Radial) Market Share<sup>1</sup> – FY17



Note  
1. Market share data as per internal estimates.  
Market share based on Units Sold (Sales Nos).



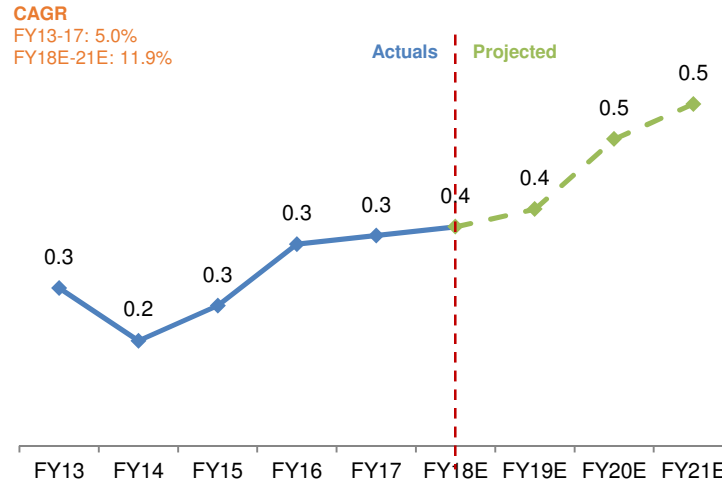


# Robust Domestic Demand Across Segments

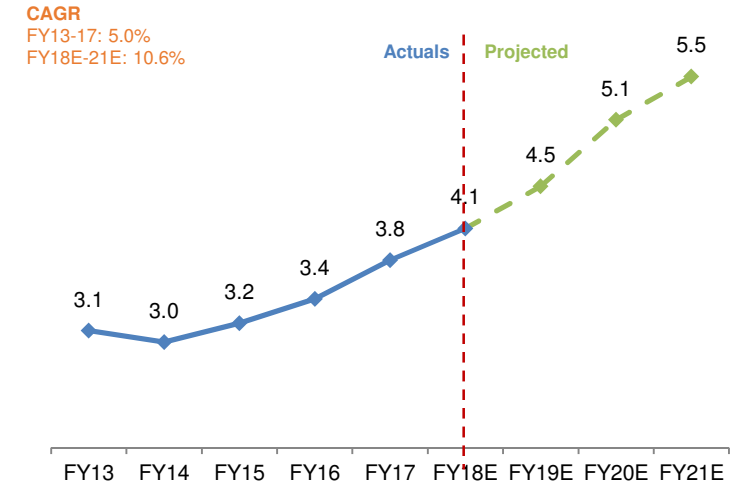
## Key Drivers & Trends

- India has grown and emerged over time as a 'Small Car' hub
- Growing vehicle base a leading factor
- Increasing number of International auto brands now manufactured in India
- Rising disposable income has increased the propensity to purchase personal vehicles
- Government thrust on agriculture and rural development to drive tractor sales
- Better monsoons expected in the current year as well – making it 2 years in a row
- Younger demographics a key factor propelling growth amongst the smaller segments
- Lower and stable fuel prices have increased affordability
- MUV sales increasing at a faster pace due to increasing rural income

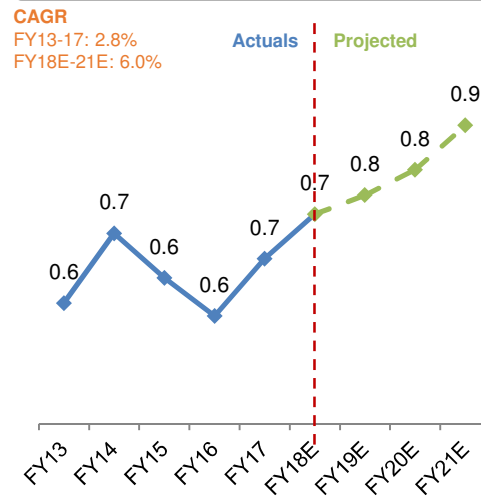
## Truck and Bus Sales<sup>1</sup> (Mn)



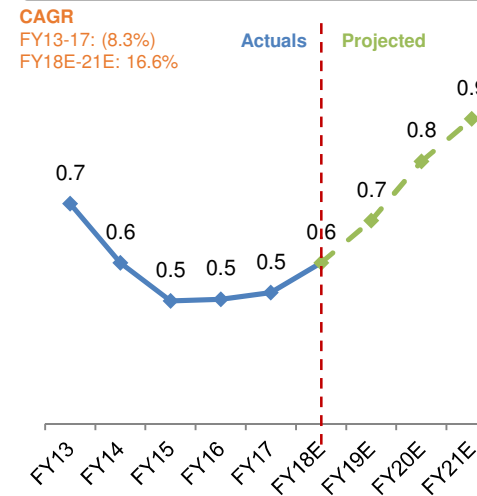
## PV Sales<sup>1</sup> (Mn)



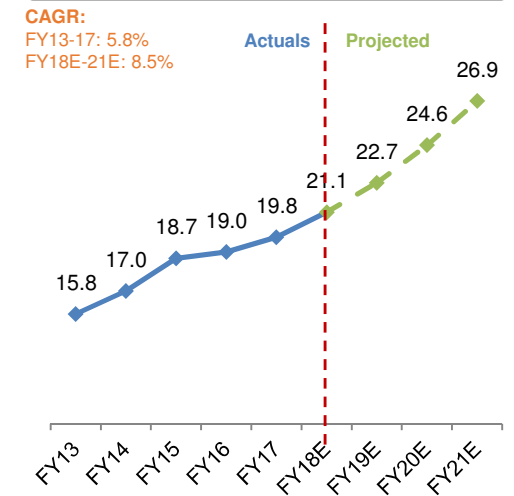
## Tractor Sales (Mn)



## Light Commercial Vehicles<sup>1</sup> (Mn)



## 2 & 3 Wheeler Sales (Mn)



Source: SIAM.  
1. Light Commercial Vehicles (LCV) data also includes Small Commercial Vehicles, a sub-segment of LCV.

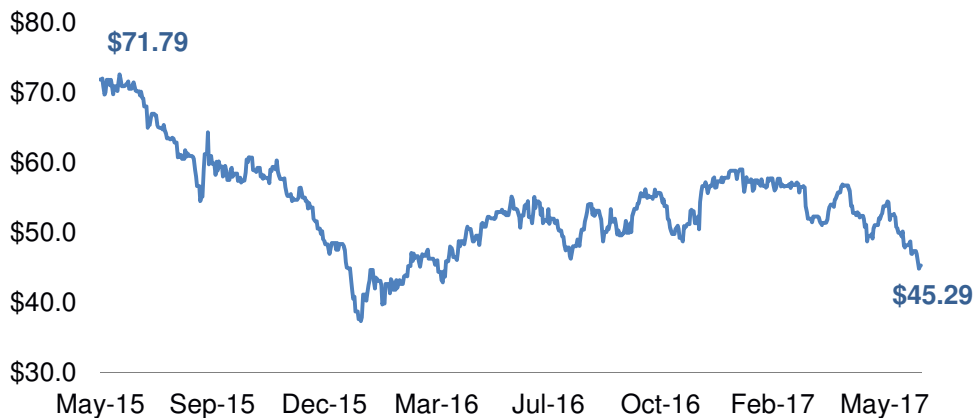


# Raw Material Price Trend

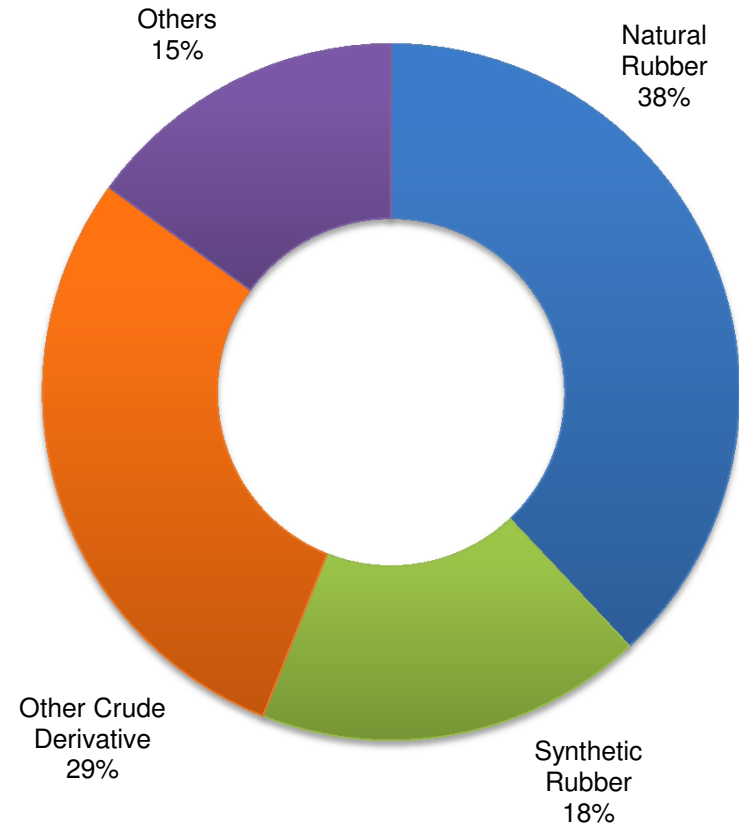
Natural Rubber – Price Movement (Last two years)



Brent Crude Oil – Price Movement (Last two years) (US\$ / Bbl)



RM Consumption by Value (FY17)



Source Bloomberg, Company



# Truck and Bus Radialisation is Gaining Momentum

## Key Drivers & Trends

Cost - Benefit Ratio

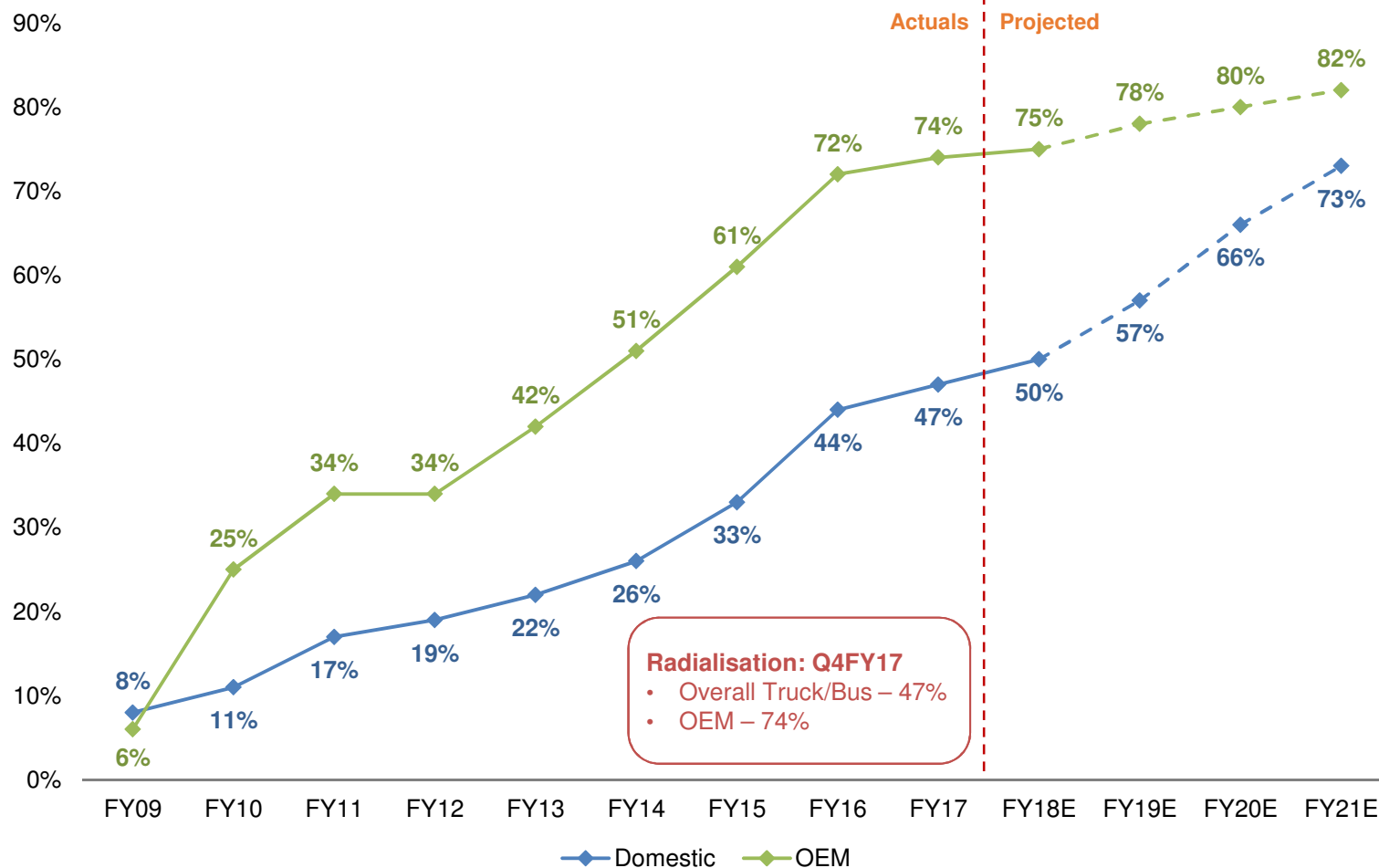
Road Development

Overload Control

User Education

Re-treading Infrastructure

## Radialisation (%)



Radialisation Expected to Drive Future Indian Tyre Industry Growth

Source: SIAM and Industry Reports. Financial year ended March 31.



# Table of Contents

1 JK Group: A Snapshot

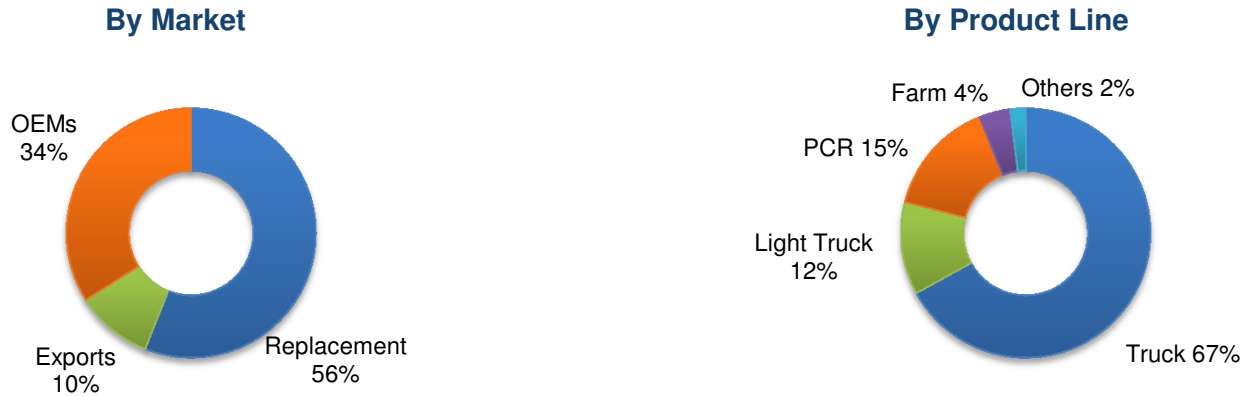
2 Indian Tyre Industry Outlook

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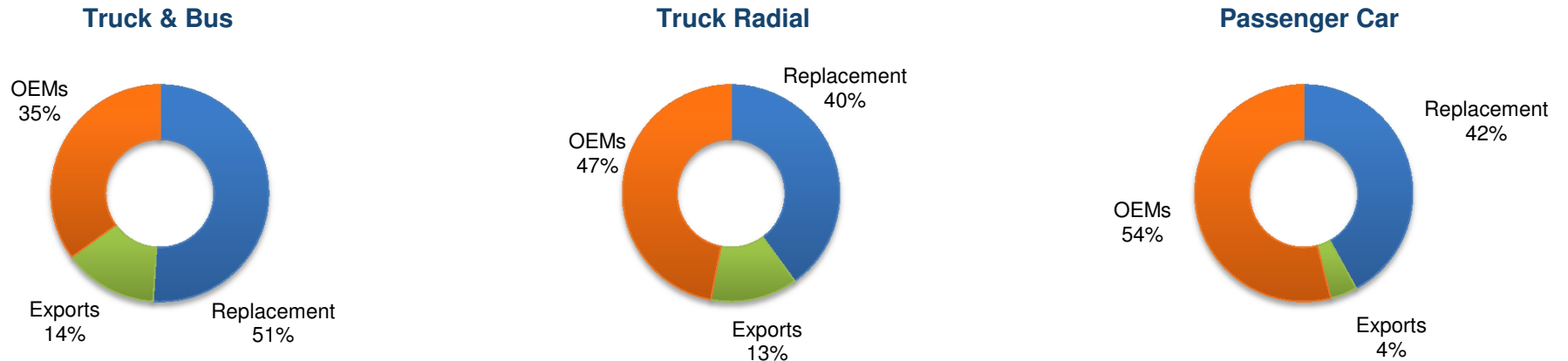
4 JK Tyre: Future Ready

# Leading Indian Tyre Manufacturer: Presence Across Product Segments

## By Revenue Segmentation<sup>1</sup> – FY 17



## By Customer Mix<sup>2</sup> – FY 17



Gradual Shift Towards Profitable Segments and Radial Tyres

**Notes:**

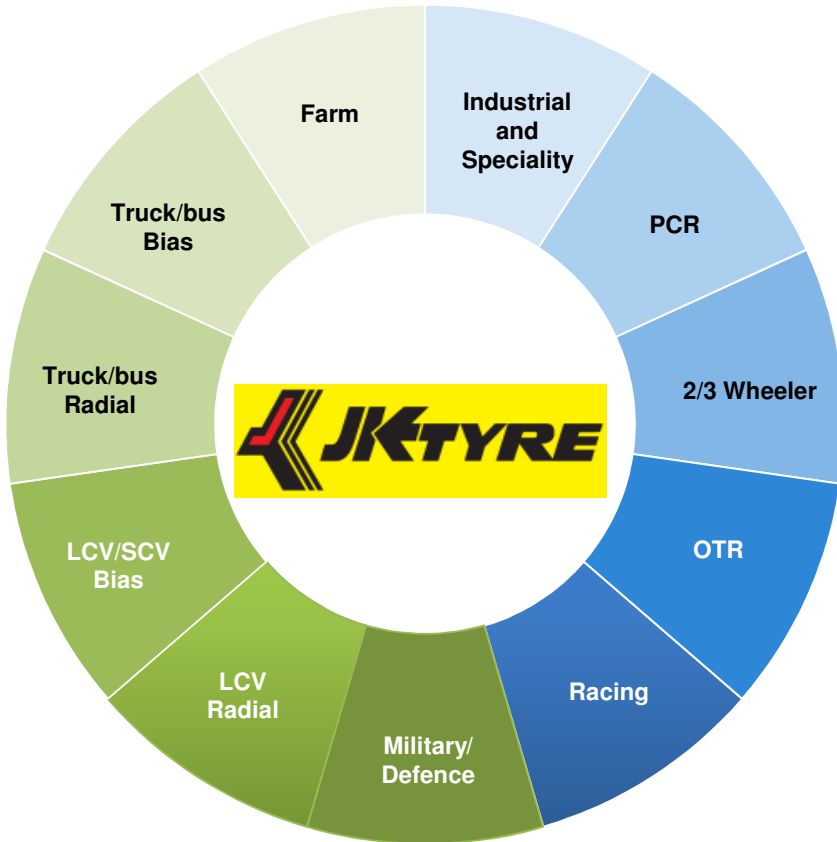
1. Based on total value.
2. Based on total units (nos).



# Product Portfolio: Moving in Sync with Radialisation

## Truck Radial & Passenger Radial Pose Healthy Growth

### Wide Product Range

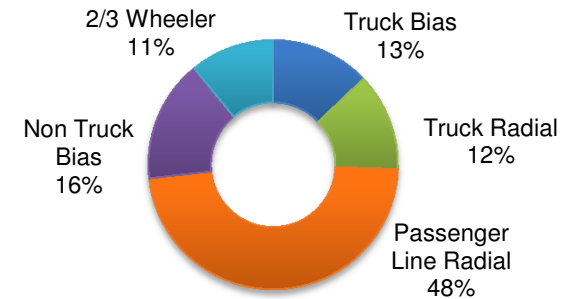


### No. of Tyres Sold (Consolidated)

Particulars (Mn)	FY17	FY16	FY15
Truck Bias	2.24	1.77	2.08
Truck Radial	2.21	1.82	1.53
Passenger line Radial	8.30	8.07	7.75
Non Truck Bias <sup>1</sup>	2.75	2.32	2.41
2/3 Wheeler	1.90	-	-
<b>Total</b>	<b>17.40</b>	<b>13.98</b>	<b>13.77</b>

1. Includes LCV, Car, Farm -Bias & OTR  
 Note: FY ending March 31

### FY17 Sales (Nos)



## Complete Product Basket Catering to a Diverse Set of Customer Requirements



# Product Portfolio: Innovative Offerings

## Innovation at its Best : Smart Way Tyres



Complies with stringent fuel efficiency requirements by US Government



**JUH**

### Qualified Sizes

- ✓ 11R22.5
- ✓ 11R24.5



**JUL2+**

### Qualified Sizes

- ✓ 285/75R22.5
- ✓ 285/75R24.5



**JUX**

### Qualified Sizes

- ✓ 11R22.5

## Innovative Products, New Materials for Greener Products & Processes

- ✓ Polymers: Reduce rolling resistance to improve fuel efficiency
- ✓ Fillers: Development of new grades for better durability and fuel efficiency
- ✓ New generation tyre reinforcing cord development for improved tyre handling, retreadability and rolling resistance
- ✓ Special clay development, natural fillers and specialty resins to improve durability and traction
- ✓ Non fossil fuel based processing aids for improved tyre performance
- ✓ Steel Belted Rear Tractor Tyres – 1<sup>st</sup> in India<sup>1</sup>  
(Puncture Proof)
- ✓ Truck Racing Radial Tyres – 1<sup>st</sup> in India<sup>1</sup>
- ✓ Largest OTR Tyre in India – 1<sup>st</sup> in India<sup>1</sup>
- ✓ Collapsible Spare Development – 1<sup>st</sup> in India<sup>1</sup>
- ✓ Introduced High Value Engineered Products with best-in-class performance in TBB & TBR (Challenger Series)
- ✓ Lowest RRC Green Tyres to Indian OEMs

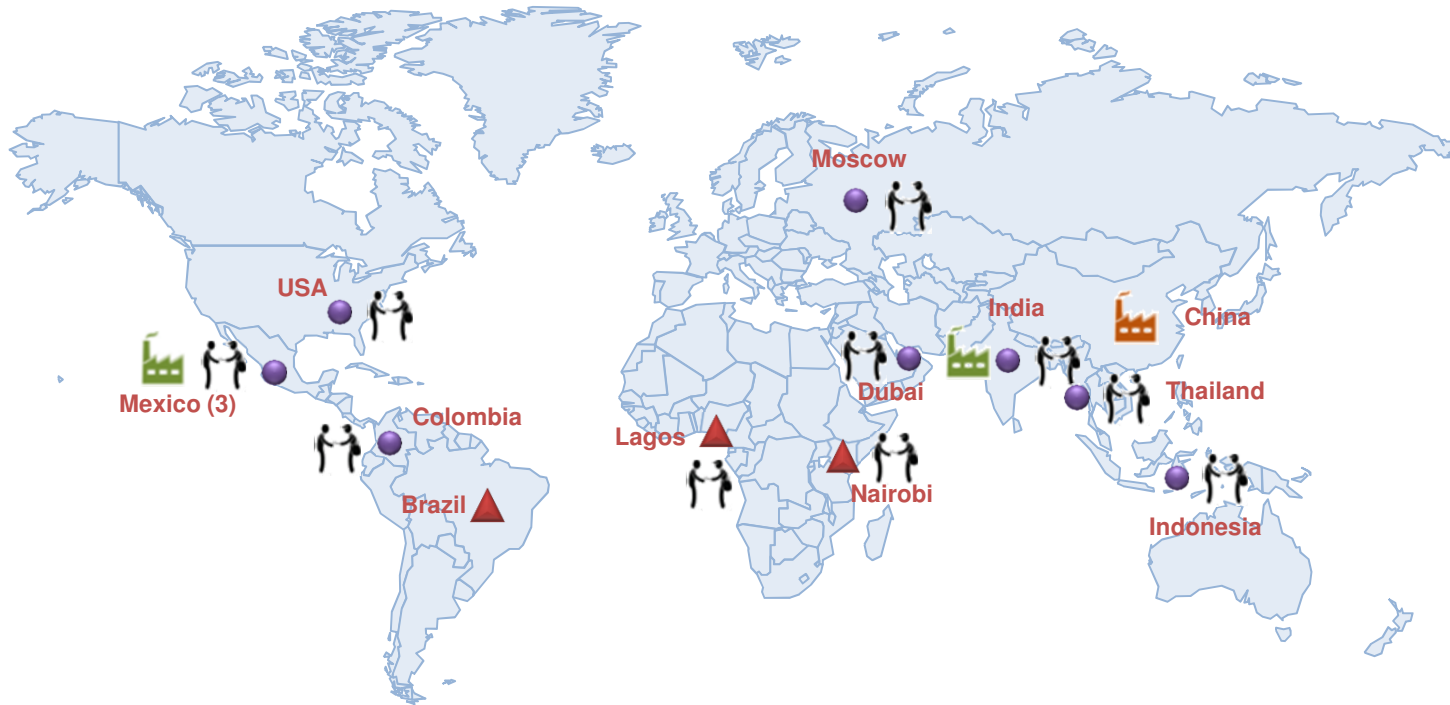
**Notes:**

1. Based on internal estimates.



# Global Manufacturing Footprint

## Global Manufacturing and Distribution



### Manufacturing

#### India – 9 Plants

- Kankroli, Rajasthan – 1
- Banmore, Madhya Pradesh – 1
- Mysore, Karnataka – 3
- Chennai, Tamil Nadu – 1
- Laksar, Haridwar – 3

#### Mexico – 3 Plants

- Azcapotzalco – 1
- Tultitlan – 1
- Hidalgo – 1

Own Plants (12) Outsourcing (1)

Marketing Hubs

Existing – 8 Planned – 3

Manufacturing Capacity (mn units)					
Category	JK Tyres	Cavendish	Total India	Tornel (Mexico)	Total (India + Mexico)
Truck Bias	1.8	0.7	2.5	0.3	2.8
Truck Radial	2.3	1.2	3.5	-	3.5
Passenger Line Radial	9.9	-	9.9	5.2	15.1
2 / 3 Wheeler	-	6.3	6.3	-	6.3
Others	2.2	0.7	2.9	2.5	5.4
<b>Total</b>	<b>16.2</b>	<b>8.8</b>	<b>25.0</b>	<b>8.0</b>	<b>33.0</b>
Tons Per Day (TPD)	1,054	470	1,524	300	1,824

Proven History of Manufacturing Expertise and Innovation



# R&D and Technology : All Solutions Under One Roof

## State of the Art R&D Facility

### Technology Leading R&D Centre:

- Advanced facilities of design and technology housed under one roof spread across **10,000 sq mts of built-in area**
- **'HASTERI (Hari Shankar Singhania Elastomer & Tyre Research Institute)'**: A one of its kind State of the Art R&D center, promoted by JK Tyres, recognized by Government of India, engaged in basic and applied research on elastomers and tyres
- **Tech Centre:** Product Design, Project Management, Benchmarking and Key Account Management
- **Central Test Centre:** Enhanced with new high end test capabilities tyre and vehicle mechanics
- **Total Investment:** c. INR 1,500 mn
- Employs 150 qualified scientists (PHD / M.Tech / B.Tech)



















- **“Raghupati Singhania Centre of Excellence for Tyre and Vehicle Mechanics”:**
  - A Joint Venture R&D Center at IIT Madras, Chennai
  - One of the India’s leading Academia – Industry partnership for Advanced Research
- R&D Expenditure Around 1% of Turnover per annum
- First Tyre Company in India to install Anechoic chamber for noise measurement

First Tyre Company in India to Install Anechoic Chamber for Noise Measurement

# Brand Positioning: Presence Across the Pricing Spectrum

Portfolio of Five Marquee Brands, Catering to Multiple Segments

Type / Segment	India			International	
	Tier 1 Premium	Tier 2 Standard	Tier 3 Economy	Tier 1 Premium	Tier 2 Economy
Truck Bus Radial (TBR)					
Truck Bus Bias (TBB)					 
Passenger Car Radial (PCR)					
2 / 3 Wheelers					
					

Marquee Brands Providing Higher Visibility Domestically as well as Internationally



# Multiple Brand Strategy: Truck Radial

Tier 3

Key Brand

**CHALLENGER**

- Normal load and mileage tyre with no re-treadability
- No after sales, purely a cash and carry sales model
- Size: c. 30% industry
- **Key Peers**

Chinese Tyres



Tier 2

Key Brands



- Tyres with normal load carrying, good initial mileage, single re-treadability
- Restricted after sales support
- Size: c. 15% of the industry
- **Key Peers<sup>1</sup>**



Tier 1

Key Brands



- Products with high load carrying capacity, high initial mileage, and high re-treadability
- Comprehensive after sales support and credit sale
- Size: c. 55% of the industry
- **Key Peers**



**Notes:**

1. Michelin and Bridgestone sell only its Budget Tyres in the Tier 2 segment.



# Multi Brand Strategy – Truck Bias



## Tier 1 Segment

- ✓ Products with Heavy & Super Heavy load carrying premium mileage & good retreadability
- ✓ Comprehensive aftersales support and credit sale
- ✓ ~75% industry

## Tier 2 Segment

- ✓ Tyres with Normal load & mileage. almost negligible retreadability
- ✓ Restricted after sales support
- ✓ ~25% industry

Differentiated Product/ Brand to target distinct end consumers as per their requirements



# Brand Building & Marketing Activities

## Domestic Branding Campaigns

- High brand visibility through campaigns across business segments as seen below

### Farm Segment

खेती हो या दुलाई का काम,  
SONA-1 की एक्सपर्ट तकनीक कमाए नाम.

खेती हो या दुलाई का काम,  
SONA-1 की एक्सपर्ट तकनीक कमाए नाम.

AGRI-GOLD - TRACTOR REAR (Radial)

SIZE	WEIGHT	LOADING	TRUCK	TRUCK	TRUCK
480/65R22.5	360	1200	1000	1000	1000
480/65R24	400	1300	1100	1100	1100
480/65R26	450	1400	1200	1200	1200
480/65R28	500	1500	1300	1300	1300

AGRI-GOLD STEEL-BEDED RADIAL TYRE

हर दंगल का बैपियन

### 2/3 Wheeler Segment

WE ARE PROUD TO ANNOUNCE THE LAUNCH CAMPAIGN FOR OUR TWO-WHEELER TYRES BLAZE.

AS AN EXTRA BONUS JK IS OK

INTRODUCING BLAZE TWO WHEELER TYRES

JK TYRE

100% RUNOUT TESTED TWO WHEELER TYRES THAT GIVE YOU TOTAL CONTROL.

RACETRACK TESTED AND 100% RUNOUT TESTED WITH HYBRID TECHNOLOGY.

BLAZE

Click here to watch our new TV Commercial

### PCR

INTRODUCING THE UX ROYALE DESIGNED FOR 240 KMPH

THE FARTHER YOU GO, THE CLOSER YOU COME.

RANGER ALL TERRAIN

RANGER HIGHWAY TERRAIN

## International Branding Campaigns

- Synchronized marketing and brand building exercises in line with market requirements across geographies

### Americas



### Middle East



### South East Asia



### Australia & Africa



# Strong OEM Relationships: Industry Leading Partners

**Car**

MARUTI SUZUKI  
GM  
HYUNDAI TATA  
Mahindra HONDA  
FORCE

**Truck**

TATA SWARAJ MAZDA  
ASHOK LEYLAND  
BHARAT BENZ  
AMW VOLVO  
Mahindra Truck and Bus

**Tractor**

Mahindra  
TAFE  
ESCORTS  
CAPTAIN

**OTR**

BHEL CAT  
ACE L&T Construction  
TIL Tractors India  
Ginnco ESCORTS CONSTRUCTION EQUIPMENT  
TATA HITACHI LIUGONG  
LeeBoy JCB  
SCANIA

**India/Mexico**

RENAULT FIAT  
NISSAN VOLKSWAGEN

**India/Mexico**

FORCE MAN  
SCANIA VOLVO EICHER

**India/Mexico**

JOHN DEERE

**JK Tornel, Mexico**

CHRYSLER

**JK Tornel, Mexico – LTR**

NISSAN

**JK Tornel Mexico**

CNH  
Case New Holland

# Extensive Distribution Network

Pan-India distribution network of 4,000 dealers & 200 distributors globally

## Domestic



- 30 JK Tyre Truck Wheels
- Fully equipped Tyre service centre for enhancing customer experience by offering Total Tyre Solution



- 230 JK Tyre Steel Wheels
- Exclusive Passenger Car Tyre Retailing



- 11 Xpress Wheels for Small Towns & Semi Urban Markets



- Over 1,000 Fleet Management
- Direct Partnership with Fleet Owners



- Products sold through over 700 fuel retail outlets of IOCL & HP across the country

## International

### Replacement channel

250 dealers (including 100 exclusive dealers)

200 Distributors

### Mass Merchandise

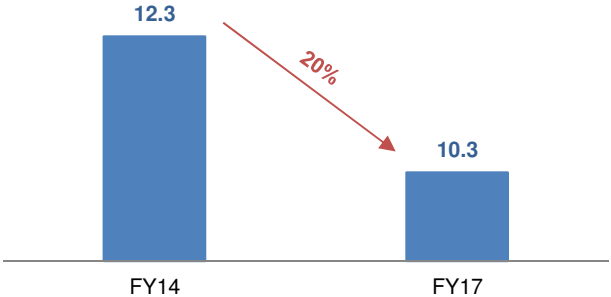
Walmart 



# Sustainability Initiatives

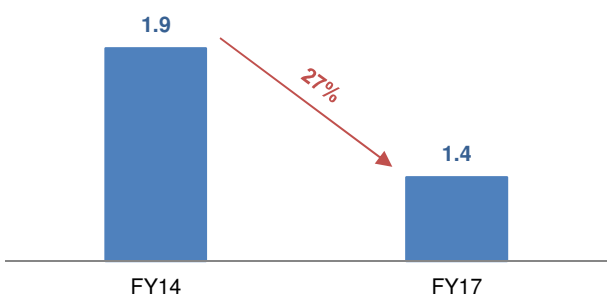
## Progressing Towards an Environmentally Friendly Ecosystem

**Energy Consumption (GJ/Ton)**



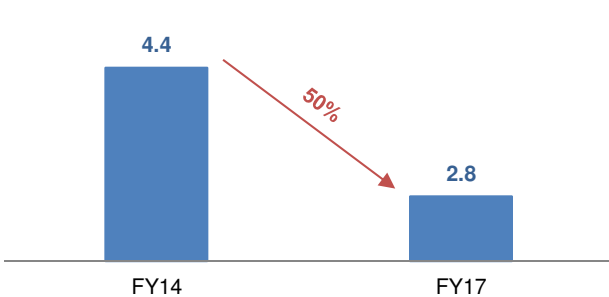
Energy Consumption (GJ/Ton) – 20% Reduction in last 4 years

**GHG Emission (Eq. Co2Ton/Ton)**



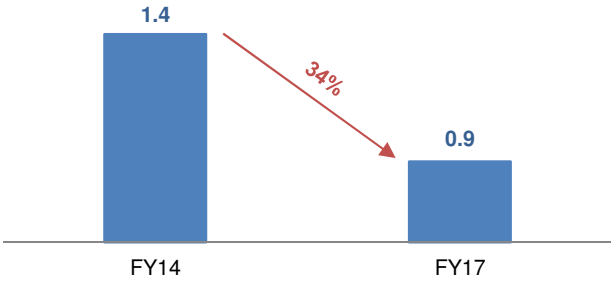
Carbon Foot Print (GHG emission) – 27 % Reduction over 3 years

**Water Consumption (KI/Ton)**



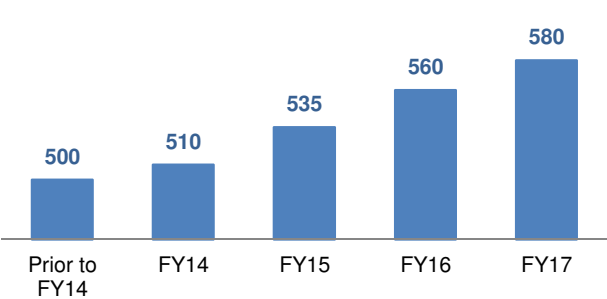
Water Consumption (KI/ton) – 50% reduction last 4 years – an Industry bench mark

**Process Waste (% by value)**



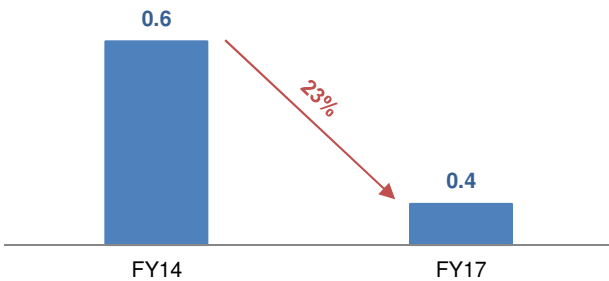
Process Waste % by value – Over 34% reduction in three years

**Cumulative Tree Plantation ('000 Nos.)**



Cumulative no of trees planted across locations – 5,80,000

**Coal Consumption (Ton/Ton)**



Coal Consumption MTs – 23% Reduction in last 3 years

21% of Energy Requirement being met through Renewable Sources in FY17





# CSR Initiatives: Inclusive Growth Approach



## Livelihood Enhancement

Skill building trainings, Self Help Groups, agricultural improvement & livestock development



## Education

Adult literacy programs in remote villages (over 45,000 beneficiaries) & Mysuru prison (over 4,500), Adoption of ITI's (500 per annum) and schools, road safety awareness; Lakshimpat Singhanian school in Jaykaygram (1,600 Students)

## Healthcare & Sanitation

HIV/ AIDS prevention program, Reproductive and child health care program "Parivartan", Health camps & eye camps, toilets construction under Swachh Bharat Mission & Pushphawati Singhanian Research Institute



## Water Conservation & Environment

Construction/de-silting of water tanks (20 tanks desilted benefiting more than 5,000 farmers) & farm ponds (25 ponds excavated), field bunding (over 500 acres completed) and plantation

# Financial Overview: Consolidated

Particulars	USD Mn <sup>(1)</sup>			
	FY 17	FY16	FY 15	FY14
<b>Profit &amp; Loss</b>				
Net Revenue	1,193	1,065	1,139	1,180
EBIDTA	184	176	146	137
EBITDA Margin	15%	16%	13%	12%
PAT	59	72	51	40
ROE	18.1%	26.7%	24.2%	24.0%
<b>Balance Sheet</b>				
Share Capital	7.0	7.0	7.0	6.3
Net Worth	325	269	209	169
Gross Debt	870	446	455	416
Cash in hand	45.4	21.5	29.3	36.3
Net Debt	825	425	426	380
Debt/ Equity	2.7	1.7	2.2	2.5
<b>Market Statistics</b>				
MCAP	460	294	368	113
Enterprise Value (EV)	1,285	718	794	493

**Notes:**

1. FX Rate of USDINR 65.

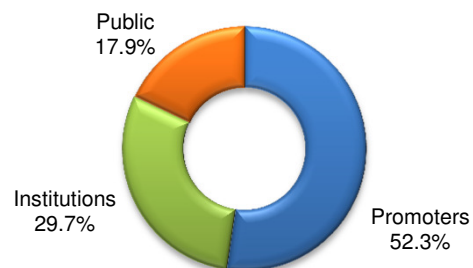


# Share Price Performance & Shareholding

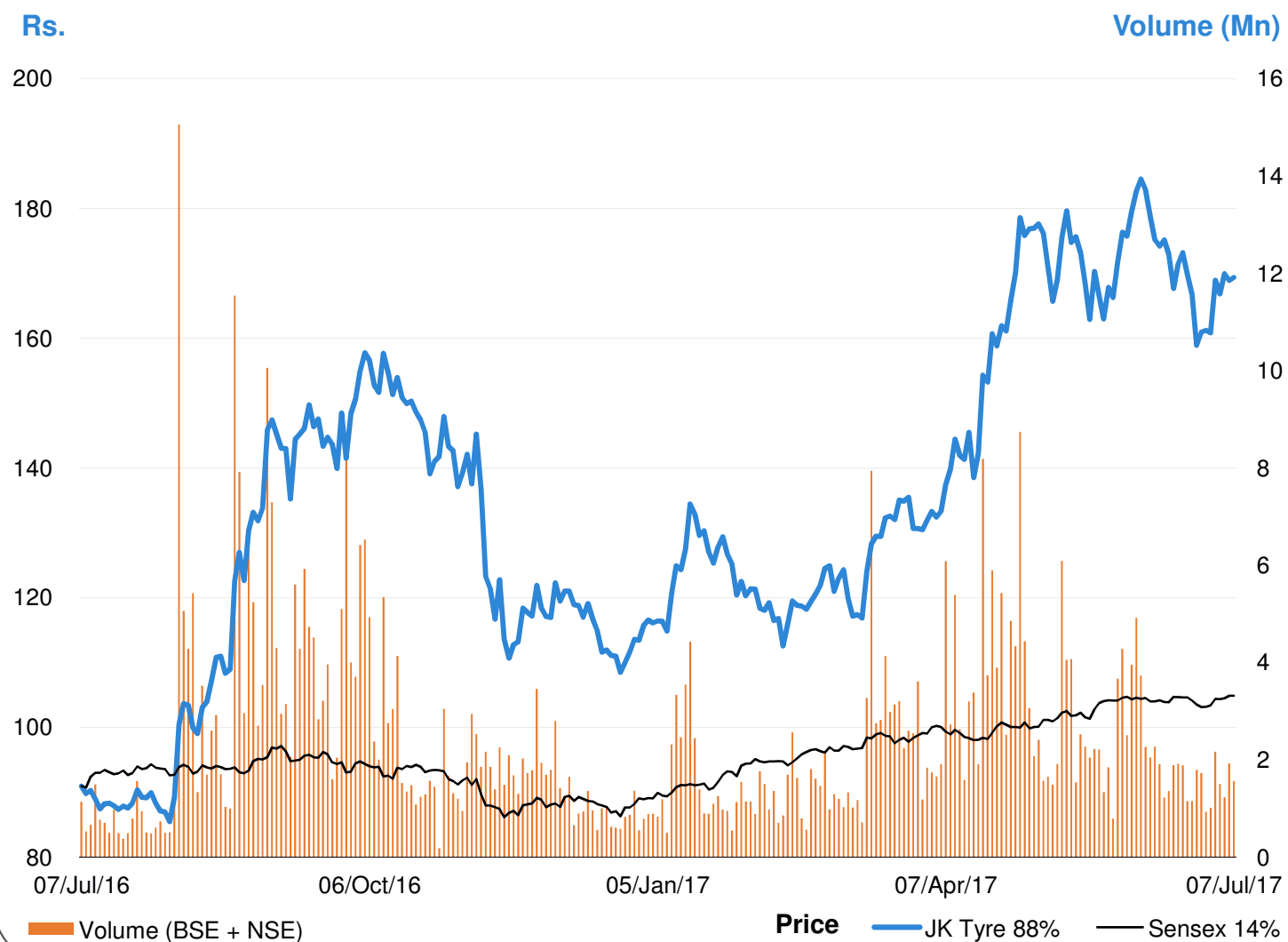
## Trading Statistics

- Current Price : Rs. 169.4
- Volume : 1.57 Mn (BSE + NSE)
- M. Cap : Rs. 38,422 Mn
- 52 W High : Rs. 186.55
- 52 W Low : Rs. 87.00
- Average Daily Volumes
  - 12M : 2.43 Mn
  - 6M : 2.38 Mn
  - 3M : 2.86 Mn
  - 1M : 1.89 Mn
- Current P/E: 10.4x
- Industry P/E: 18.1x
- Sensex P/E: 23.4x
- Current EV/EBITDA: 8.0x

## Shareholding Pattern – 31st March, 2017



## Share Price Performance – LTM



# Table of Contents

**1** JK Group: A Snapshot

**2** Indian Tyre Industry Outlook

**3** JK Tyre: An Overview

**4** JK Tyre: Future Ready

# Key Management Team



**Dr. Raghupati Singhania**  
*Chairman &  
Managing Director*



**Arun K. Bajoria**  
*Director & President –  
International Operations*



**Anshuman Singhania**  
*Vice President (Operations)  
& Director*



**A. K. Kinra**  
*Finance Director*



**V. K. Misra**  
*Technical Director*



**Kumar Joshi**  
*Executive Director –  
JK TORNEL*



**Dr. R. Mukhopadhyay**  
*Director (R&D)*



**A. K. Makkar**  
*Manufacturing Director*



**Sanjiv Saxena**  
*VP–Corporate Accounts*



**H. K. Chopra**  
*Advisor – International  
Sourcing & Sales*



**Vikram Malhotra**  
*Marketing Director*



**Padmakumar G.**  
*VP – CAVENDISH*

# Growth Strategy Going Forward



# Acquisition History: Tornel & Cavendish



## Acquisition Overview

- Acquired in 2008, well established tyre company in Mexico
- **3 tyre manufacturing plants** in Mexico (Azcapotzalco, Tultitlan and Hidalgo) with a combined annual **capacity of 8.3 mn tyres**
- Wide product range of Passenger Car Radial, Truck Bias, Light Truck Radial, Farm Tyres And Industrial Tyres

## Deal Rationale

- Free **access to NAFTA** and other trade blocks
- Expands JK Tyres global footprint
- Low cost acquisition of additional capacity
- Greater access to North America and emerging Latin America markets, where JK Tyre is already exporting substantial quantities

## Turnaround

- Turnaround of operations in first year of acquisition
- Improved plant efficiencies
- Enhanced market share across all products
- Truck Radial (Outsourced)
- **Entered Chrysler, Nissan (Car / Light Truck Radial), John Deere (Farm) & Case New Holland**



## Acquisition Overview

- Acquired in April 2016
- State-of-the-art established tyre plant, earlier part of Kesoram Industries
- Wide product range of TBB / TBR tyres, 2-3W tyres, tractor tyres, and tubes & flaps
- Plant located at Laksar (Haridwar) with annual **capacity of 10 mn tyres**

## Deal Rationale

- Acquisition of Laksar plant provided additional TBR and other capacities
- Benefits of excise duty exemption till FY20
- Enabled strategic **entry into 2/3 Wheeler Category**

## Poised for Growth

- Laksar plant an excise benefit zone – **excise exemption of 10 years (up to 2020)**
- Operational turnaround in 1st year of acquisition
- **Launched Blaze** – premium 2/3 wheeler tyre
- Well received and volumes increasing month by month

