



Investor Presentation

February 2018



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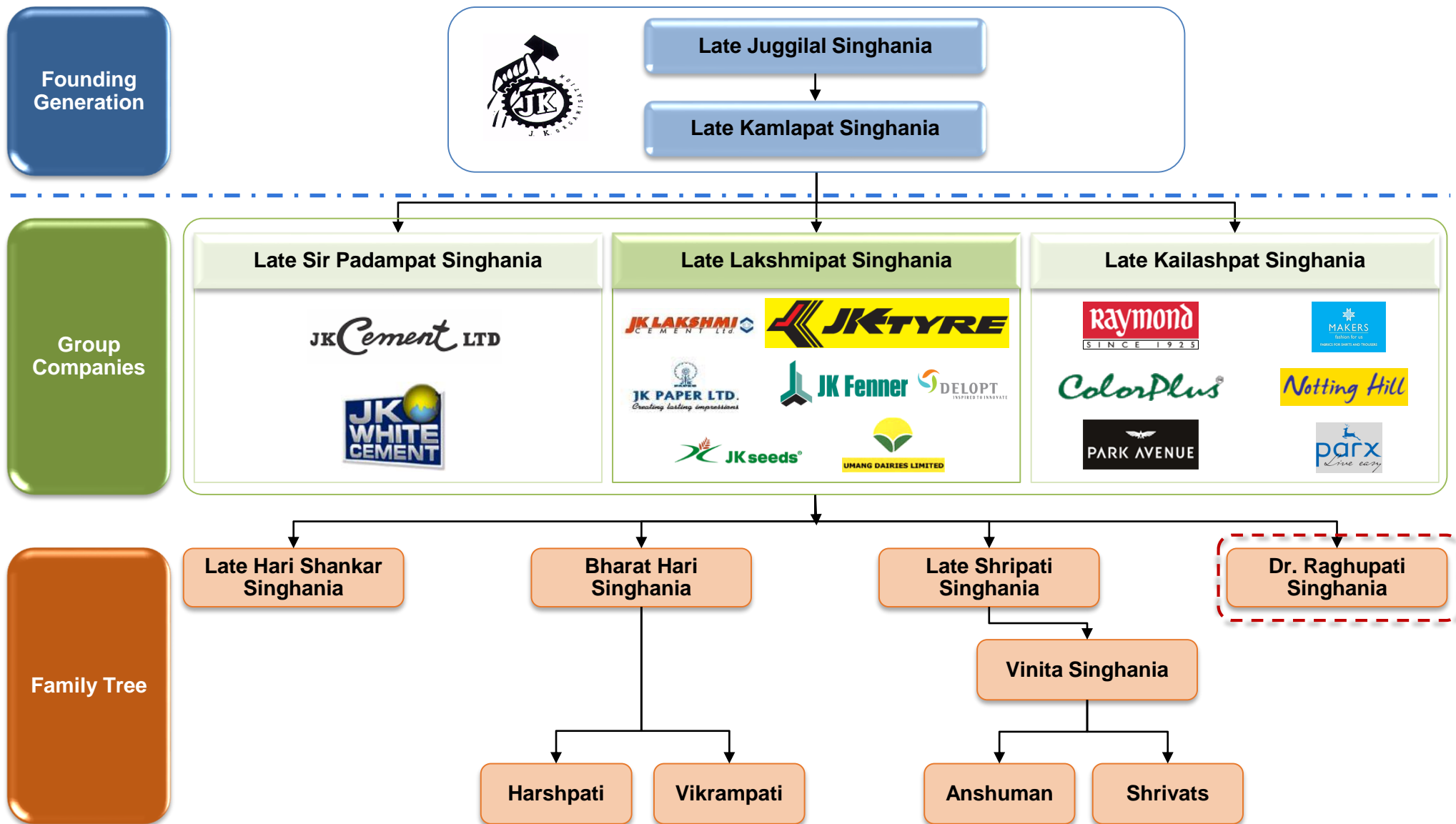
2 Indian Tyre Industry Outlook

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



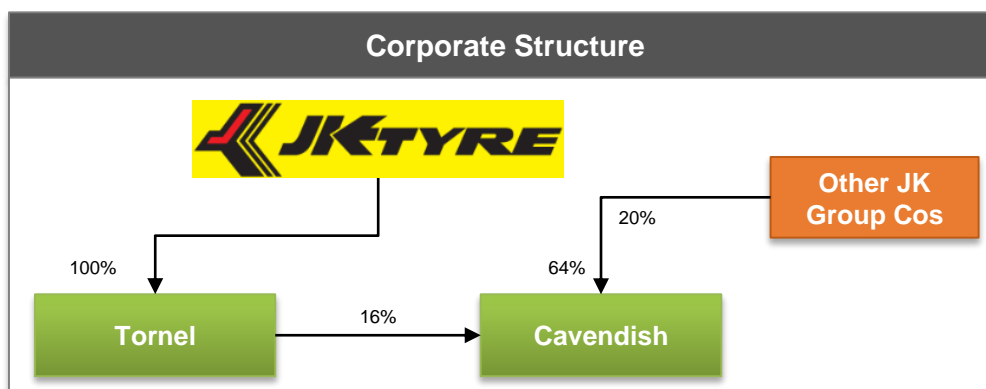
JK Tyre & Industries: An Overview

JK 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**¹
- Global Brands:**   
- Ranked as the 22nd largest** tyre manufacturing company globally
- Annual capacity of **32mn Tyres with 12 manufacturing plants** globally
- Wide range of products with a presence in over 105 countries
- 1st 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.



Market Information:

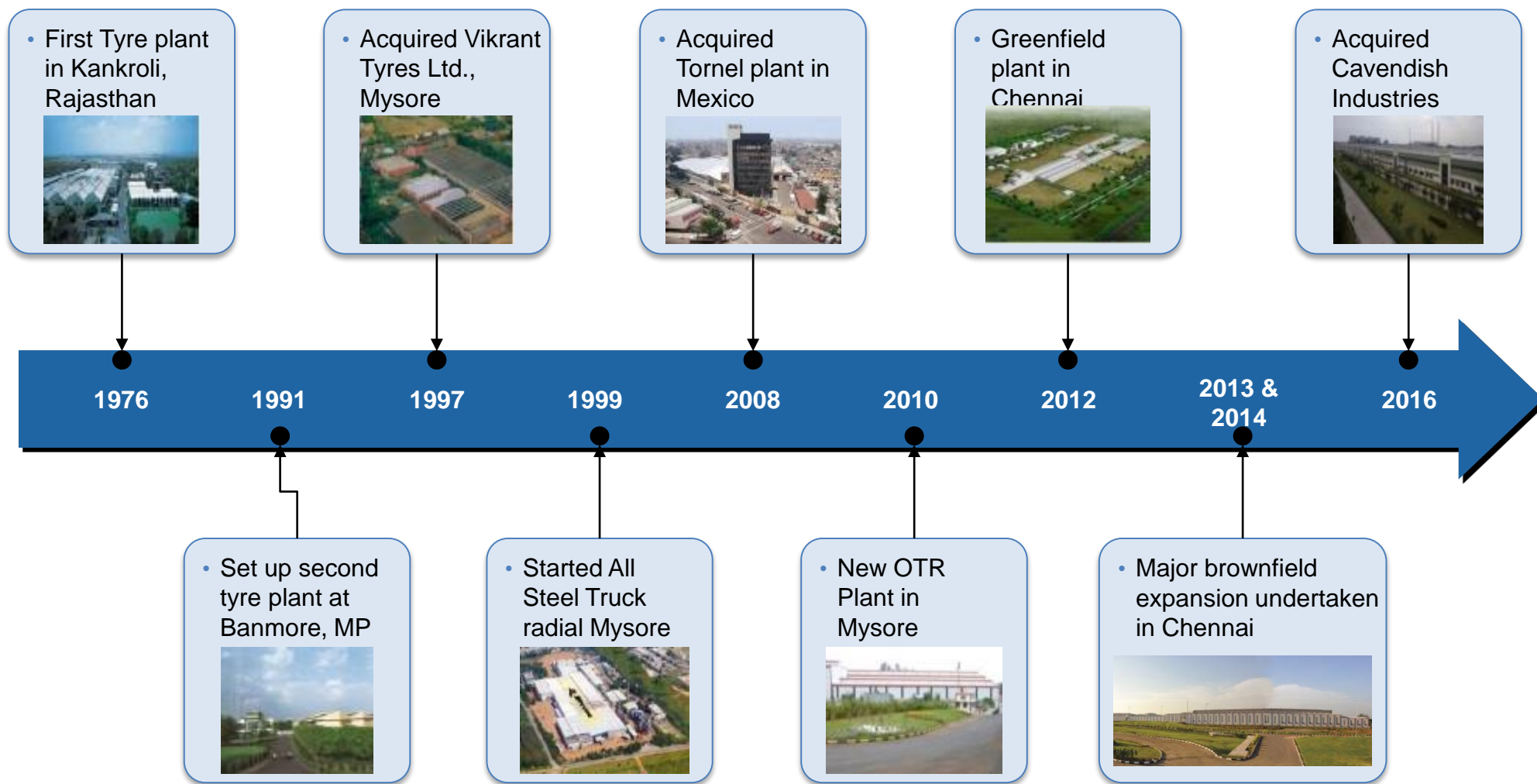
Face Value - ₹2

Current Share Price - ₹175

MCAP - ₹ 3970 crs.

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



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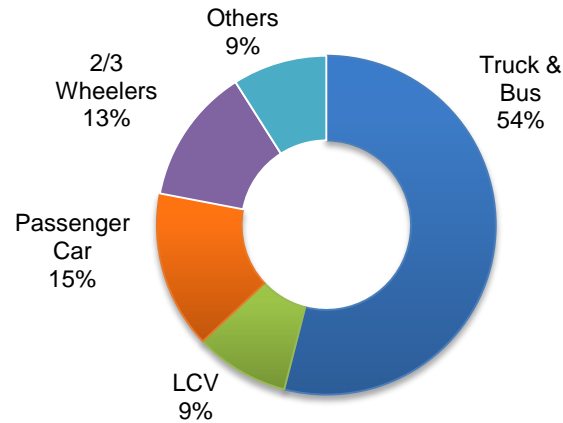
Industry Overview

Indian Tyre Industry Overview

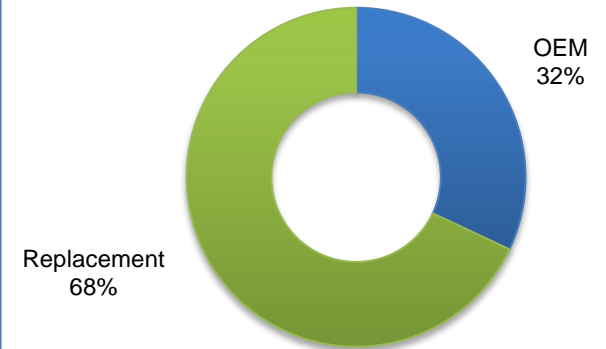
Overview:

- Indian Tyre Industry generates over ₹50,000 crs in turnover (US\$ 8.0 bn)
- Commercial Tyre segment (Truck/Bus & LCVs) accounts for ~2/3rd (by value) of total tyre market
- Indian exports – about ₹ 11000 crs. (US\$ 1.7 bn) to over 100 countries
- Radialisation key driver for growth:
 - Car Tyres: 98%
 - Truck Tyres: 47% (OEM: 74%)

By Revenue Segment – FY17



By End Market – FY17



Source: Industry Reports and SIAM.

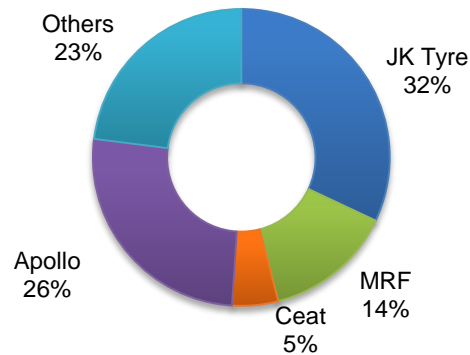
Domestic Competitive Landscape

Key Players:

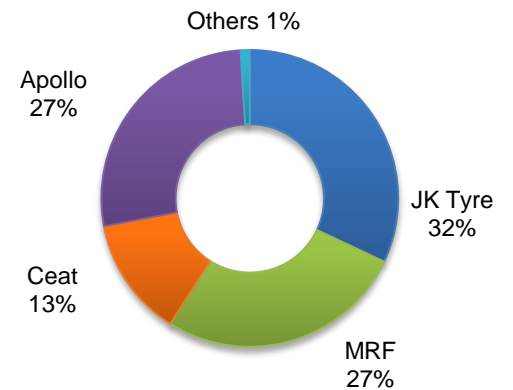
- Indian tyre market comprises of global majors and domestic brands
- Top 5 global tyre players already have a presence in the Indian market
- Top 3 to 4 domestic brands dominate the Indian tyre market



Truck and Bus Radial (TBR) Market Share¹ – 9MFY18



Light Commercial Vehicle incl SUV (Bias + Radial) Market Share¹ – 9MFY18



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

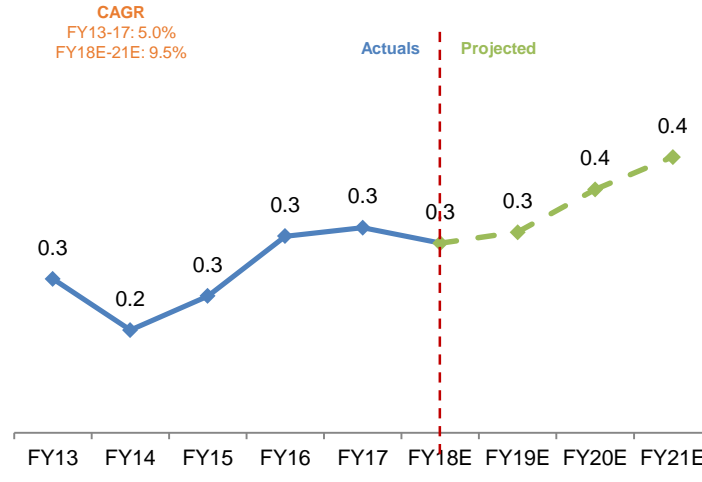


Robust Domestic Demand Across Segments

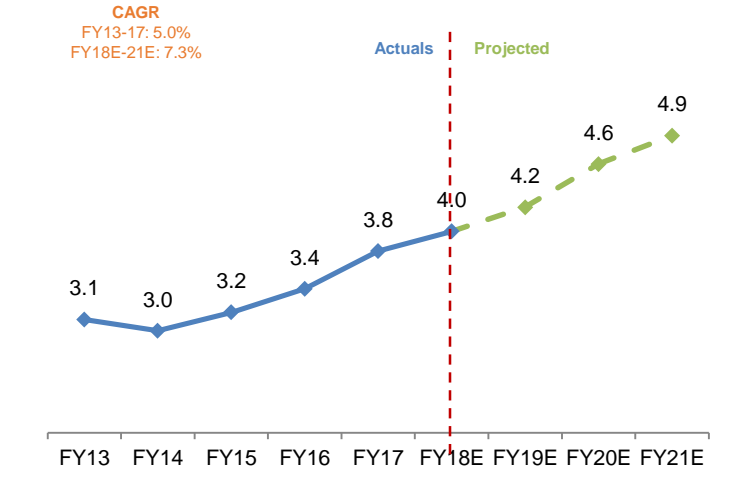
Key Drivers & Trends

- 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

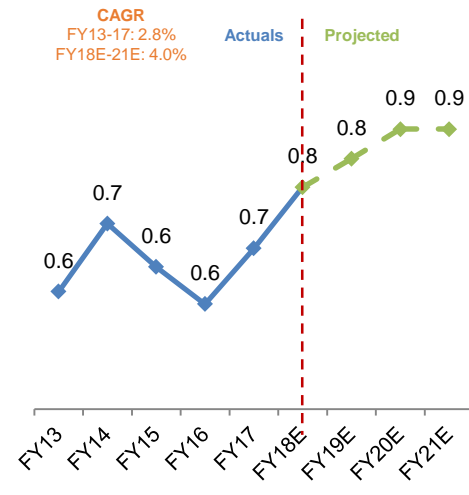
Truck and Bus Sales¹ (Mn)



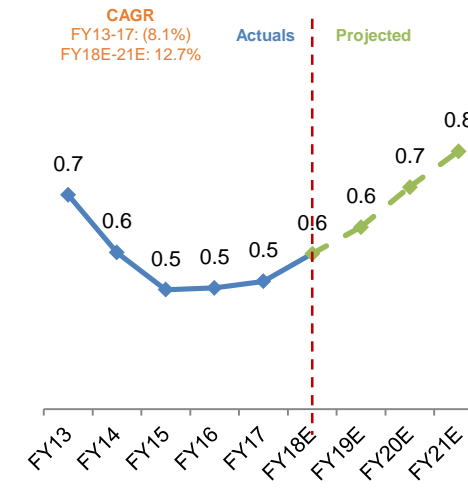
PV Sales¹ (Mn)



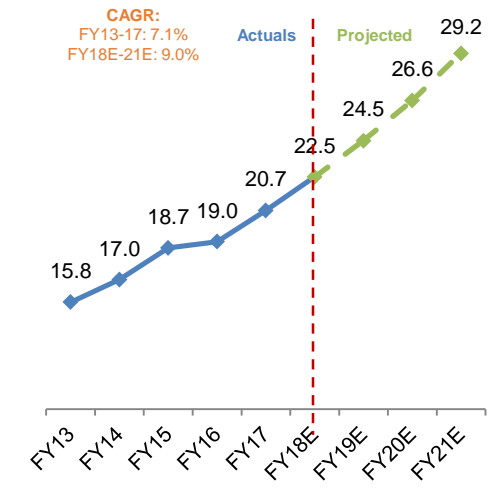
Tractor Sales (Mn)



Light Commercial Vehicles¹ (Mn)



2 & 3 Wheeler Sales (Mn)



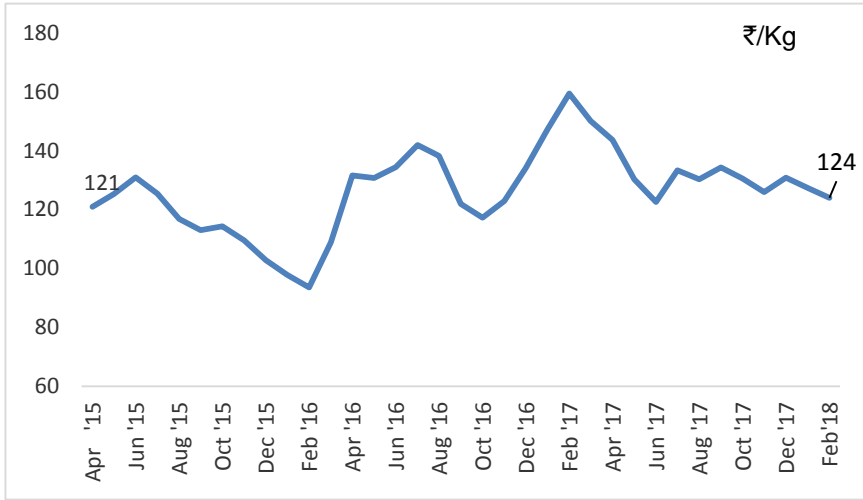
Source SIAM.

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

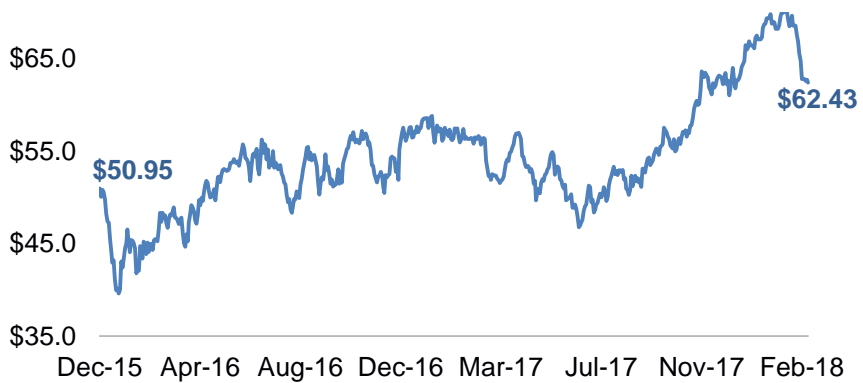


Raw Material Price Trend

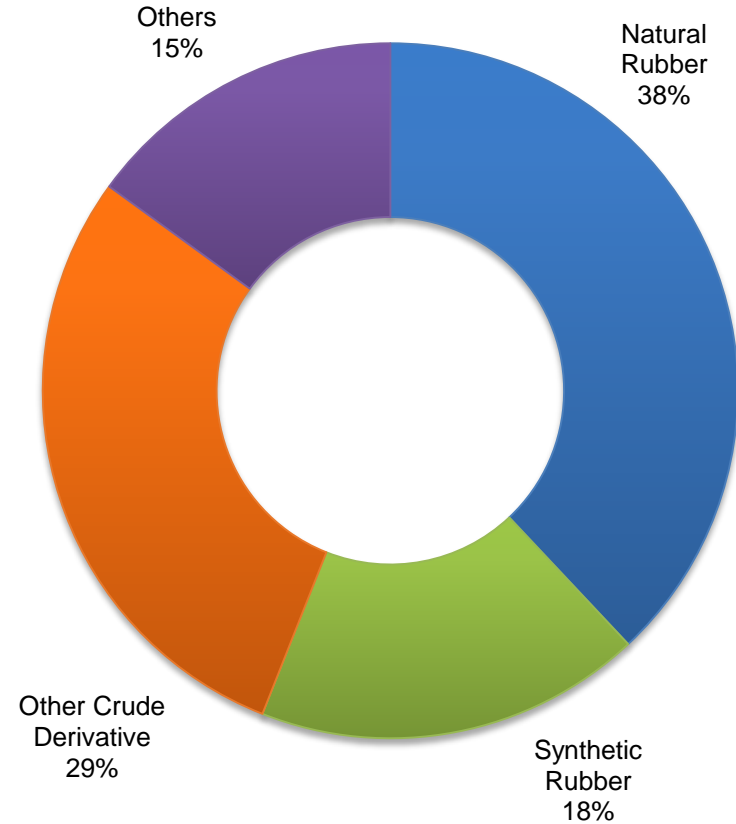
Natural Rubber – Price Movement (Last two years)



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

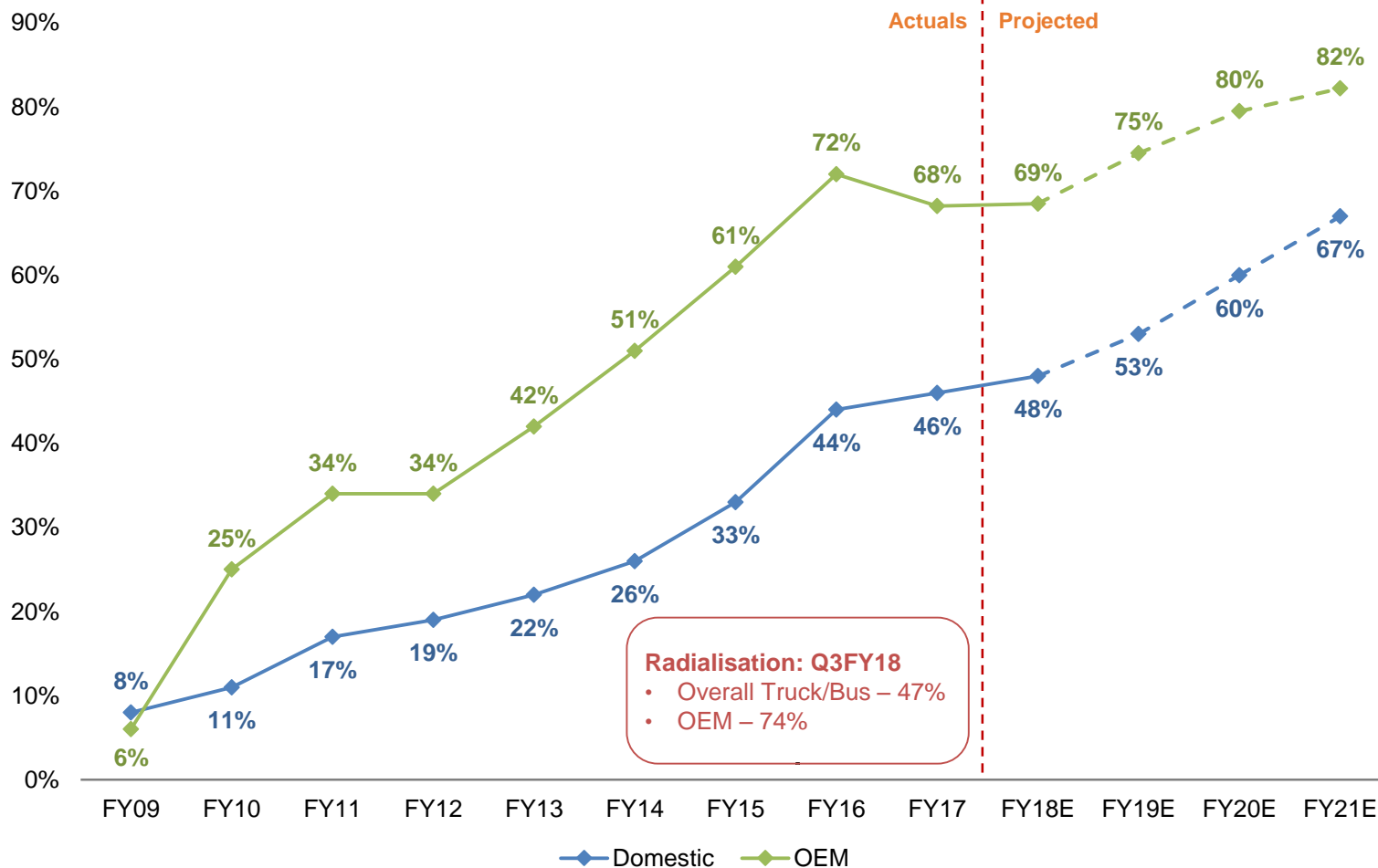
Road Development

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.



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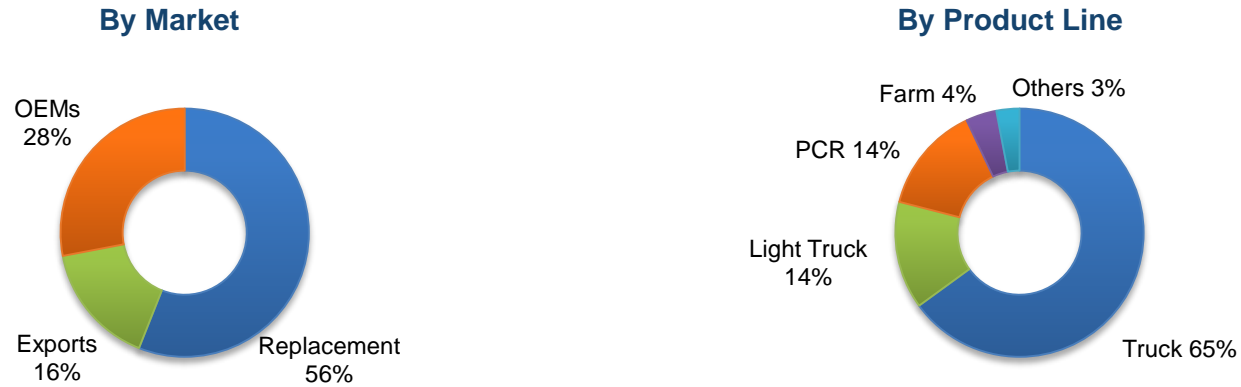
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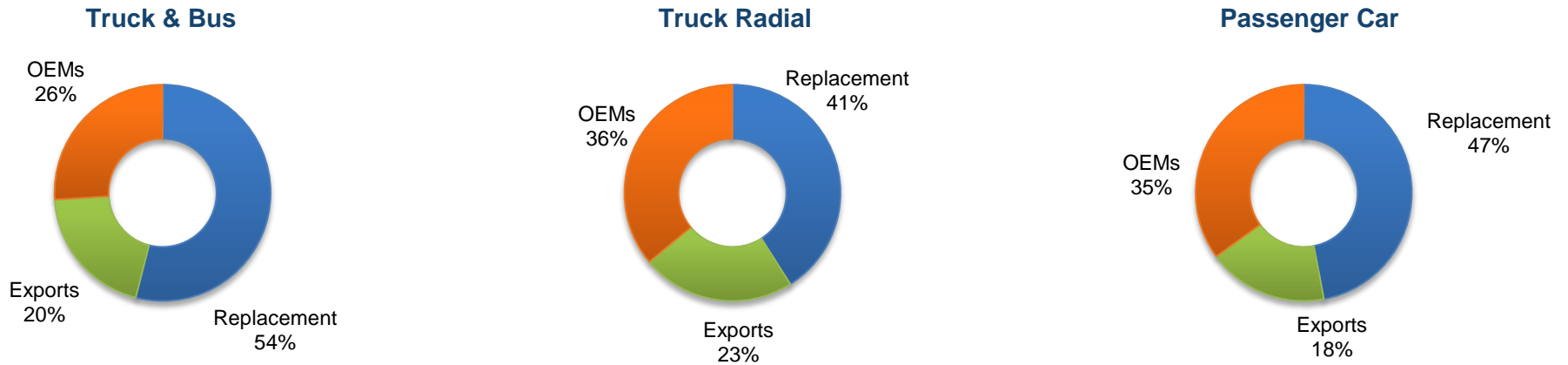
4 JK Tyre: Future Ready

JK Tyre - Leading Indian Tyre Manufacturer: Presence Across Product Segments

By Revenue Segmentation¹ – 9MFY18



By Customer Mix² – 9MFY18



Gradual Shift Towards Profitable Segments and Radial Tyres

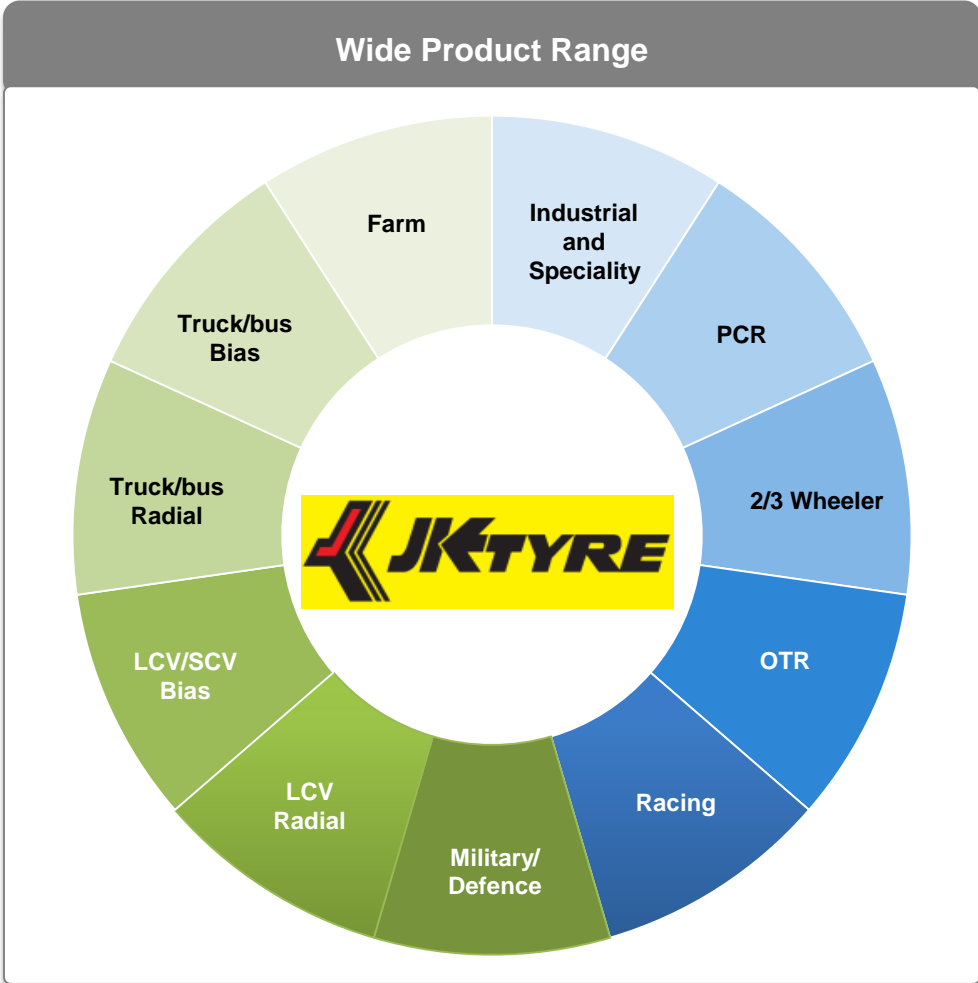
Notes:

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



JK Tyre - Product Portfolio: Moving in Sync with Radialisation

Truck Radial & Passenger Radial Pose Healthy Growth



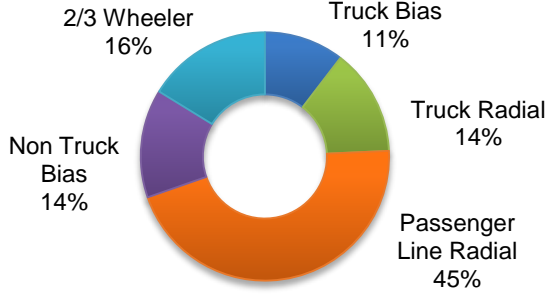
No. of Tyres Sold (Consolidated)

Particulars (Mn)	FY18 (9M)	FY17	FY16	FY15
Truck Bias	1.41	2.24	1.77	2.08
Truck Radial	1.88	2.21	1.82	1.53
Passenger line Radial	6.15	8.30	8.07	7.75
Non Truck Bias ¹	1.91	2.75	2.32	2.41
2/3 Wheeler	2.2	1.90	-	-
Total	13.54	17.40	13.98	13.77

FY18 (E) – 20 Mn tyres → **Up by 15%**

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

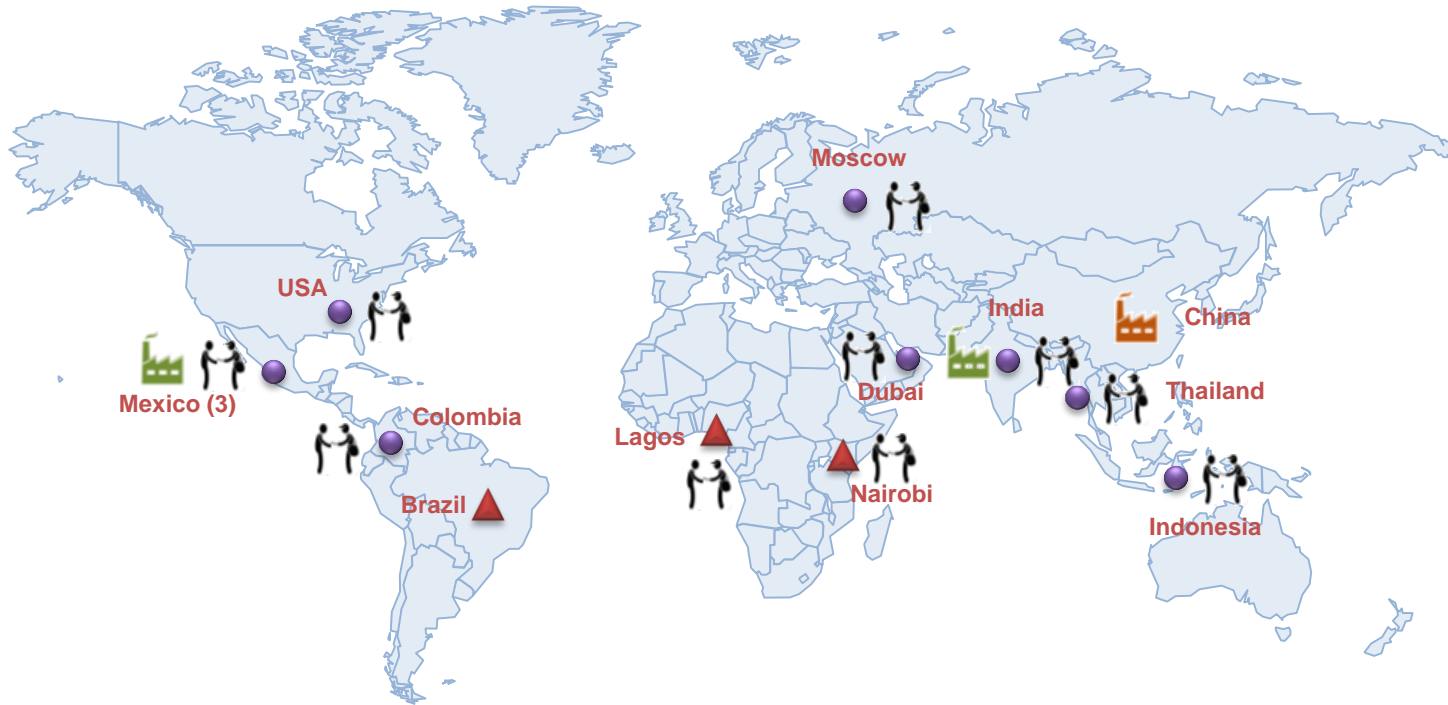
9MFY18 Sales (Nos)



Complete Product Basket Catering to a Diverse Set of Customer Requirements

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	1.5	0.7	2.2	0.3	2.6
Truck Radial	2.3	0.7	3.0	-	3.0
Passenger Line Radial	9.9	-	9.9	5.2	15.0
2 / 3 Wheeler	-	6.3	6.3	-	6.3
Others	1.7	0.7	2.4	2.4	4.8
Total	15.4	8.5	23.9	7.9	31.7
Tons Per Day (TPD)	1,026	383	1409	300	1709

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



Strong OEM Relationships: Industry Leading Partners

Car	Truck	Tractor	OTR
			
India/Mexico		India/Mexico	
	JK Tornel, Mexico - LTR		
JK Tornel, Mexico		JK Tornel Mexico	
			



Extensive Distribution Network

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

Domestic



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



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



- 41 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

300+ exclusive 2 wheeler Distributors

International

Replacement channel

250 dealers (including 100 exclusive dealers)

200 Distributors

Mass Merchandise



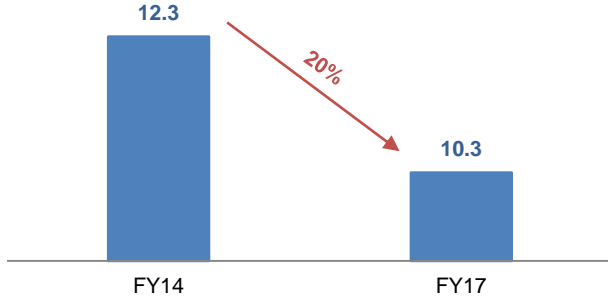
As on 31st Jan'18



Sustainability Initiatives

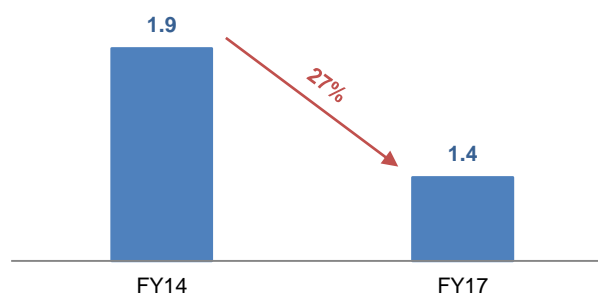
Progressing Towards an Environmentally Friendly Ecosystem

Energy Consumption (GJ/Ton)



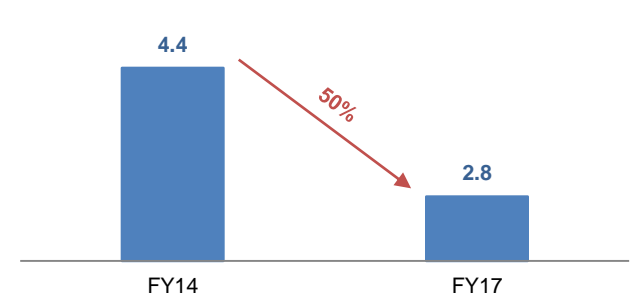
Energy Consumption (GJ/Ton) – 20% Reduction in last 4 years

GHG Emission (Eq. Co2Ton/Ton)



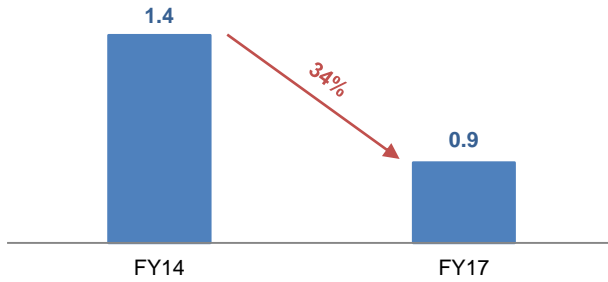
Carbon Foot Print (GHG emission) – 27% Reduction over 3 years

Water Consumption (KI/Ton)



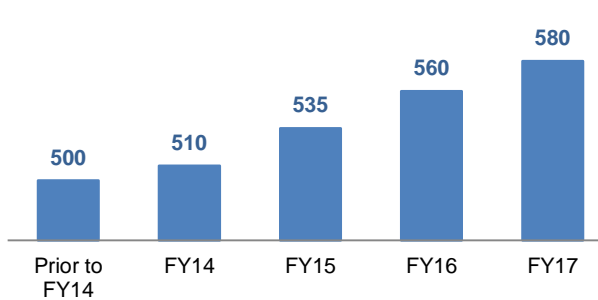
Water Consumption (KI/ton) – 50% reduction last 4 years – an Industry bench mark

Process Waste (% by value)



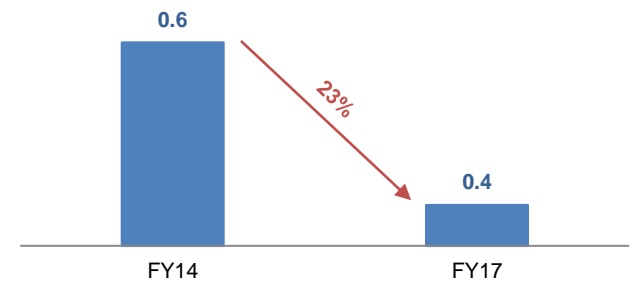
Process Waste % by value – Over 34% reduction in three years

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

Currently – 48% (Nov'17)

CSR Initiatives: Inclusive Growth Approach



Livelihood Enhancement

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



Healthcare & Sanitation

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

JK Tyre - Highlights of Q3 FY18

❖ Growth in Q3FY18

		<u>Over Corres Qtr.</u>	<u>Standalone</u> <u>Over Preceding Qtr.</u>
✓ Net sales → (Value)		22%	8%
✓ Volume → (nos.)		16%	4%

✓ Exports grew by:

- **37% in Q3FY18 over Q3FY17**
- **71% in 9MFY18 over 9MFY17**

% Sales Growth In Domestic Market vis -a vs Industry over Previous Quarter

Particulars	JK Tyre	Industry
Truck Radials	11	9
PCR	9	1
Tractor Front	25	1
Truck Radialisation	57	47

- **Imposition of Anti dumping duty on Chinese TBRs in Sep'17**

Impact

- **Increased Volumes & Market Share**
- **More visibility of premium brands**

- JK Tyre Continues to enjoy **leadership Position in TBR's**

– Highest ever Sales in Jan'18

- ✓ **Truck Radial OEM Sales**

1.06 lac tyres, earlier highest 1.02 lac tyres in Dec'17.

- Forayed into the OEM segment with Bajaj for bikes – Bajaj Platina and CT100.

JK Tyre - Highlights of Q3 FY18

❖ Operating efficiencies achieved:

Particulars	Unit	Oct-Dec'16 (3M)	Oct-Dec'17 (3M)	Nov'17
Renewable Power	% of total power consumed	21.4	35.2	48.1
Energy Costs	Rs./MT	8485	8478	8306
Water Consumption	Ltrs/Kg	2.69	2.16	2.06
Manpower Productivity	Mandays/Ton	9.5	9.1	8.9

JK Tyre – Profitability Impact & Way Forward

❖ Q1FY18 – Profitability impacted due to :

1) Raw Material Price Increase - 30% over Q1FY17

No commensurate increase in selling prices

2) JK Tyre being Market Leader in TBR, faced volume decline on overall basis

- Industry switching from BS-III to BS-IV emission norms impacted Truck OEM sales....**Production cut by commercial vehicle manufacturers**
- **Destocking inventories** on account of GST Implementation impacted replacement
- **Unabated imports of Cheap Chinese radial tyres** impacted both volumes as well as prices of TBR

3) Sales lower due to reduced offtake by OEMs (₹ 300 crs approx) as they would not get full credit on stocks

❖ Q2FY18: Higher raw material prices over Q2FY17 impacted margins

<u>Profits Impacted By:</u>	<u>Inc over Corresp Qtr (%)</u>
Raw Material Cost	21
Natural Rubber	15

JK Tyre – Profitability Impact & Way Forward

❖ Q3FY18

1. JK Tyre being Market Leader in TBR benefitted the most post imposition of ADD on TBR
2. Pick up in OEMs helped improved offtake

..... *Favourable trend likely to continue in coming Qtrs.*

3. Replacement market has also shown growth in TBR as well as PCR segments
4. Profitability has increased Q on Q
5. Profitability would have been still better but for:
 - Major Labor restructuring successfully completed at Tornel,
 - CIL Operations integrating into JKTIL gradually

..... *Rich dividends in coming period*

JK Tyre – Key Focus Areas

❖ Improvement in NSR through Product and Market Mix Optimization

- Higher Sales of TBR Premium products
- Higher Sales of PCR Tyres in > 15”
- Higher Sales of Light Truck Radial Tyres with EBIDTA margins of >20%.
- Reduction in Low profitable segments viz., STUs and low profitable SKUs.
- Introduction of New Products with Higher Profitability
- Increasing volume through innovative channels viz., Mobility solutions.
- Continuous Focus on Cost Reductions in Materials, Energy, Logistics etc.

❖ Capacity Addition

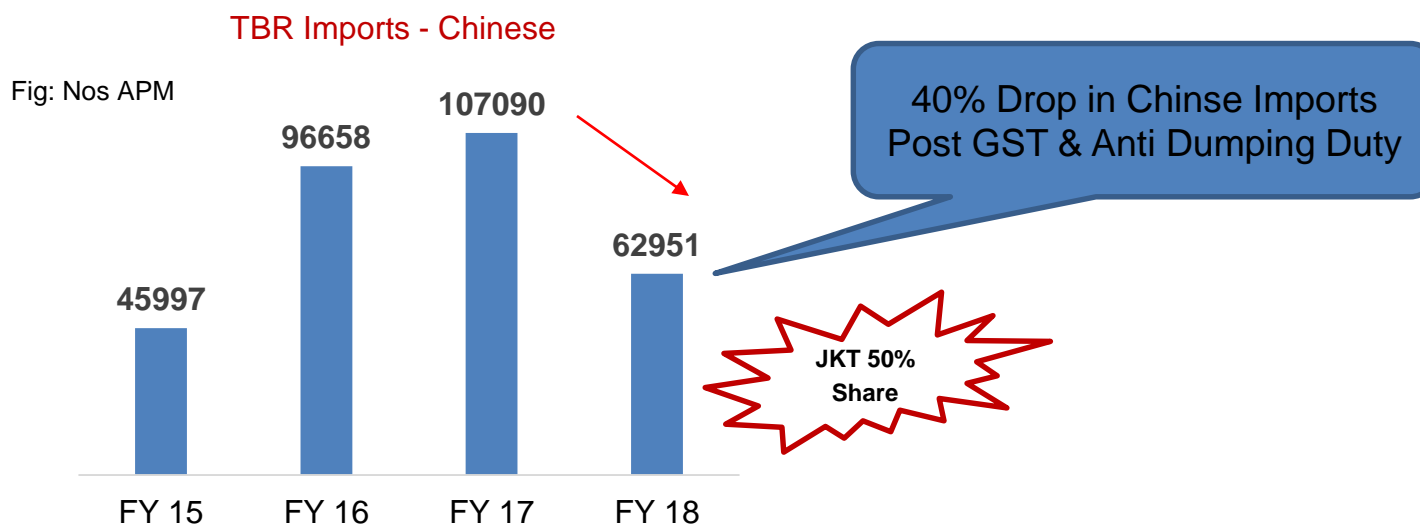
- TBR capacity expansion at CIL from 7.4 lac to 13.85 lac tyres p.a. (add. 6.45 lac tyres) at Project Cost of ₹ 275 crs. is underway.
- Rationalisation of Bias Capacities – Converting Truck Bias Capacities to OHT/Industrial tyres

❖ Increased Volumes to Optimize Capacity Utilization leading to better efficiencies

❖ Energy conservation

Anti Dumping Duty on TBRs

- 40% decline in Chinese Imports due to GST & Anti Dumping
- Market price of Chinese tyres : 5-6% increase vs. Q2
- JKT capitalized on the vacuum created by Chinese imports. **Gained 50% of gap**
 - Increased Price to improve bottomline (Both in Challenger & Vikrant)
- Value / Low Cost tyre will remain a sizeable segment in times to come
 - Michelin, Bridgestone, Apollo, Ceat entering market with their Tier 2 Products



Financial Overview: Consolidated

₹ crs

S.No.	Particulars	Q3FY18	Q2FY18	Q1FY18	FY17
1	Gross Sales & Other Income	2135	2068	1943	8383
2	Net Sales & Other Income	2135	2068	1818	7755
3	PBIDT	225	206	10	1198
4	<i>% to Net Sales & OI</i>	<i>10.5%</i>	<i>9.9%</i>	<i>0.6%</i>	<i>15.4%</i>
5	PBDT	110	87	-107	757
6	PBT (after exceptional items)	23	12	-179	535
7	Net Profit	11	10	-117	381



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JK Tyre: Future Ready

Key Management Team



Dr. Raghupati Singhania
*Chairman &
Managing Director*



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



Anshuman Singhania
Whole-time Director



Mr Rajiv Prasad
*President
India Operations*



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



Harischandra Prasad K
*VP(Works) –
CAVENDISH*

Growth Strategy Going Forward



Acquisition History: Tormel & 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 7.9 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**
- **Recently implemented a Labour Restructuring Scheme – A Disruptive Innovation.....Significant gains in coming period**



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 8.5 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

