



“JK Tyre & Industries Limited
Q1 FY2024 Earnings Conference Call”

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Moderator: Ladies and gentlemen, good day and welcome to the Q1 FY2024 Earnings Conference Call of JK Tyre and Industries Limited hosted by ICICI Securities. As a reminder, all participant lines will be in the listen only mode, and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing “*” then “0” on your touch tone phone. Please note that this conference is being recorded. I now have the conference over Mr. Basudeb Banerjee from ICICI Securities. Thank you and over to you, Mr. Banerjee.

Basudeb Banerjee: Thanks Mitchell. Very good morning to all the participants and thanks to the management of JK Tyres and Industries for giving us the opportunity to host the call. We have with us the senior management of JK Tyres represented by Mr. Anshuman Singhania - Managing Director; Mr. Arun K Bajoria - Director & President (International) Business; Mr. Anuj Kathuria - President (India) Business; Mr. Sanjeev Aggarwal - Chief Financial Officer; and Mr. A K Kinra - Financial Advisor. So, without wasting any time, over to the management of JK Tyres for their initial comments. Thanks.

Anshuman Singhania: Thank you and good morning everyone. I hope you all are keeping well. We thank you for your participation in JK Tyre’s Q1FY24 earnings call. I am Anshuman Singhania, Managing Director and I have with me Mr. Arun Bajoria, Director & President – International, Mr. Anuj Kathuria, President – India, Mr. A.K. Kinra, Financial Advisor and Mr. Sanjeev Aggarwal, CFO of the Company.

The financial year 2024 has started on a positive note. The Company’s top-line has been growing consistently and has recorded consolidated net revenues of Rs.3,729 crore in Q1FY24, higher by 2% as compared to the corresponding quarter, led by continued robust demand.

The operating profit has grown from Rs.291 crore to Rs.465 crore over the corresponding quarter, which is an impressive increase of 60%. During the quarter, operating margin expanded by 450 basis points. This is a result of continuous focus on improving operational efficiencies, leveraging on product premiumization, digitalization and cost optimization, which are further aided by stable raw material prices.

Q1 continued with robust demand momentum in the domestic market due to healthy macro-economic environment, resulting into volume growth of 3% over the



previous quarter. The momentum in demand is supported by strong replacement volumes, which grew by 8% over the previous quarter. Increasing freight movement, higher government infrastructure spending, rapid urbanization and rising economic activities are the key drivers to boost replacement growth. However, OEM witnessed de-growth of nearly 10% over the previous quarter on account of pre-buying effect by CV OEMs prior to transition to OBD-2 emission norms. We believe this is a temporary phenomenon and the demand is expected to bounce back in coming quarters.

Passenger vehicle tyres continue to witness good volumes both in replacement and OEM segment, driven by increased automotive sales due to strong order book including new launches by PV manufacturers and improved supply chain environment. Farm segment is showing good signs of recovery in volumes due to increase in farm income with good monsoon coupled with government incentive schemes on tractors. Demand across segments is expected to further improve with the onset of festive season.

Exports have started to improve in Q1FY24 with moderation in inflation and steady signs of economic growth in US and other economies globally. Consolidated exports stood at Rs.587 crore, which is up by 23% over the previous quarter, primarily led by higher volumes. We believe the export demand to improve further.

On the overall outlook, we remain optimistic on automobile and tyre Industry growth path in line with robust GDP growth forecast and favorable macroeconomic factors. We are consistently strengthening our relationship with OEMs, recently we have won businesses of new models launched by Hyundai and Kia. The fuel-efficient tyres (XF series) and extra-mileage (XM series) have been well received by CV OEMs. This signifies trust reposed by the OEMs in our products, which are backed by high quality standards, innovations across segments. Our R&D team tirelessly focusses on developing innovative and sustainable range of products including the emerging EV segment to meet and exceed customer expectations.

Our recently developed “UX Green” tyre in the PCR segment has the highest sustainable materials of 80% globally. This is a worthy demonstration of our serious commitment towards sustainable growth keeping ESG on the top of our agenda.

On channel development, we have recently marked our presence by opening JK Tyre’s flagship Steel Wheels Centre in Leh, which is first in the region to offer enhanced customer experience. Our plans are to penetrate deeper into the domestic markets and cover all white spaces with brand shops and dealerships across India. Digitalization: Digitalization has enabled us to automate the systems and processes



across the value chain resulting in superior customer experience. JK Tyre is committed to continue the journey of digital transformation.

ESG: We aim to reduce carbon emission intensity by 50% till 2030 and become carbon neutral by 2050. Demonstrating our commitment, we are sourcing 58% of our power requirement from renewable sources. We have attained a leadership position in energy usage, water management, and reducing carbon emissions. The Company is actively pursuing diverse domains, including health, safety and community development. At JK Tyre, a robust framework has been established to ensure transparent management practices to maximize long-term value for stakeholders.

To sum-up, we believe FY24 will be a good year with buoyant demand, improved revenue and profitability.

Now, I request Mr. Arun Bajoria to talk about the performance of JK Tornel, Mexico.

Arun K Bajoria:

Thank you Anshuman ji. The performance of JK Tornel, Mexico continued to be healthy in terms of overall revenue and profitability in Q1FY24. JK Tornel achieved turnover of Rs.683 crore as compared to Rs.671 crore in Q1FY23, up by 2% on y-o-y basis, this has been achieved despite headwinds faced from American continent on account of lower freight rates & influx of tyres from Asian countries and appreciation of Mexican pesos, which is impacting exports.

Operating profits (EBIDTA) stood at Rs.59 crore recorded an improvement by 40% over previous quarter.

Economic outlook in Mexico is improving with higher than expected GDP, moderating inflation, low unemployment rate supporting private consumption and increased investment from companies relocating to the LATAM countries. JK Tornel continued its efforts on new product developments with new potential customers such as Mahindra Tractors (USA), Polaris (USA), Speedmax (Brazil), LimaCaucho (Peru) for gaining higher volumes. Going forward, our strategy is to maximize the radial capacity utilisation to gain market share and plans are under consideration to expand capacities in the radial product category, especially towards higher rim sizes tyres.

Continuous efforts are being made for achieving operational and cost efficiencies through fixed cost reduction, aggressive utilisation of Bias product capacities and



by way of digitalization & automation drives in various functions for overall productivity and profitability enhancement.

Now, I request Mr. Aggarwal to brief about the financial performance of the quarter.

Sanjeev Aggarwal: Thank you, sir. Let me briefly explain the key highlights for Q1FY24. Consolidated sales were recorded at Rs.3,726 crore, viz-a-viz Rs.3,650 crore in Q1FY23, up 2% on y-o-y basis.

Profitability at EBIDTA level in Q1FY24 was recorded at Rs.465 crore as against Rs.291 crore in Q1FY23, an increase of 60% on y-o-y basis. Operating profit margins were recorded at 12.5% on consolidated basis. Margins have expanded by 450 bps over the corresponding quarter. Cash profit for the quarter was Rs.343 crore. Profit after tax (PAT) was Rs.159 crore, a multifold increase on y-o-y basis.

All the plants are running at high capacity utilisation level of about 85%.

Consolidated Exports stood at Rs.587 crore, up by 23% over the previous quarter. Subsidiary companies, namely, Cavendish Industries Ltd. and JK Tornel, Mexico continued to perform well and contributed significantly to the revenues and profitability on consolidated basis.

Cavendish (CIL) posted a topline of Rs.963 crore, with EBIDTA stood at Rs.121 crore registering a margin of 12.5%. Profit after tax stood at Rs.37 crore. Earnings per share (EPS) improved to Rs.5.93 per share as against Rs.1.51 per share in Q1FY23. ROCE and ROE have improved to double-digit level in Q1FY24.

The Credit rating has been upgraded to A+ from single A by India Ratings and have also revised outlook to Stable from Negative. Upgrade in rating reflects strong improvement in credit metrics. Net debt stood at Rs.4,265 crore as on June 30, 2023, a reduction of Rs.252 crore over the previous quarter led by improved working capital levels and scheduled long term debt repayments in line with our plan.

Leverage ratios improved further over March'23. Net debt to equity improved to 1.16x in Q1FY24 as against 1.29x at end of March 2023 and Net debt to EBIDTA improved significantly to 2.83x in Q1FY24 as against 3.39x at end of March 2023. Overall interest cost reduced by 3% over previous quarter with efforts focused on reducing the interest cost inspite of high interest rate scenarios.



The Balance Sheet of the company is healthy with improved financial ratios. We remain committed to deleverage our balance sheet through reduction in long term borrowings and efficient working capital management going forward.

The already announced capacity expansion capex in TBR and PCR tyres are under implementation stage and progressing well and are expected to come on stream by Q3FY24 and Q4FY24 respectively.

We have already circulated our Earnings Presentation, which is available on our website as well as on the stock exchanges websites. Now, we open the forum for Questions and Answer.

Moderator: Thank you very much sir. We will now begin the question and answer session. The first question is from the line of Mitul Shah from DAM capital. Please go ahead.

Mitul Shah: Thank you for giving opportunity. My first question is on EV tyre. Our presence is in two-wheeler, four-wheeler both or what is current status in terms of market share or overall contribution of EV tyres in total volume.

Anshuman Singhania: We have developed complete range of EV tyre in commercial, passenger, 2-3wheeler category. We are currently supplying EV tyres in the replacement market and also to the OEMs. EV market is growing and there is a definite push in the public transportation which is the bus segment wherein we are participating with the leading bus manufacturers namely JBM, Tata Motors, Olectra, Ashok Leyland and VECV.

Mitul Shah: Anything on the passenger vehicle side.

Anshuman Singhania: We have Ranger HPE brand in the EV and which caters to the SUV segment. At present, we are in talks with the PV OEMs and supplying the same in the replacement market.

Mitul Shah: Any two-wheeler EV OEMs as our major customer



Anshuman Singhania: In 2-3-wheeler, we are supplying to multiple aggregators and OEMs to name a few

which is Benling, CosBike, NEC power solutions etc. We are awaiting approval from Ather and Pure Electric and Ola Electric as well.

Mitul Shah: Second question is on export, wherein in our revenues declined by 11% on a Y-o-Y basis for standalone business and for consolidate roughly 8% decline. So, can you give some more detail in terms of the decline coming across geographies or any particular geography where we have already started seeing some growth and few geographies only declining and related to that we have given a roughly 306 Crores on a standalone basis 587 Crores on a console basis so this difference of nearly 280 Crores is it again from the Indian subsidiaries or it also include this Mexico thing and all others.

Anshuman Singhania: Yes, consolidated export is stood at Rs.587 Crores in Q1FY24 which is higher by 23% in over the previous. There is a lot of positive news which is coming from export market. We are seeing improved sentiments and customer confidence across business sentiments. High inventory levels in the in the exporting countries are coming down. With cooling-off of inflation in critical markets. We expect improvement in exports sales from H2 FY2024.

Mitul Shah: This difference of 270, 280 Crores is between standard console. Is it Cavendish or is it a combination of Mexico Cavendish or can you give some breakup here and again can you give some geography wise some color on the export side.

Anuj Kathuria: India operations export stood at Rs.384 crore whereas consolidated exports stood at Rs.587 crore. On Y-o-Y basis, North American markets have actually seen slowdown from Q3 of last year, but now we are seeing a steady recovery and we expect that going forward the North American market as Anshumanji was saying that with the inflation coming under control and with the revival of economy some stocks that had piled up are now getting liquidated. So, North American market should come back. The other markets of LATAM which includes Mexico, Brazil, Colombia and even the Middle East and the other Asian markets there our performance remains to be quite steady. We see that generally our consolidated



exports are somewhere around Rs. 650 Crores. So, we should see those levels coming back in the second half.

Sanjeev Aggarwal: To clarify your first point, the difference between the standalone and the consolidated number is on account of the exports from Tornel and Cavendish.

Mitul Shah: Thank you very much for replying and really sir thanks for changing the investor presentation in terms of giving more detail with more transparency and one more request if you can provide more detail in terms of geography wise some color in presentation itself and also the financials of either Cavendish or Mexico you can put in that because every time this is the common question by analyst in terms of the financial for both the subsidiaries. Thanks a lot, and all the best.

Moderator: Thank you. The next question is from the line of Shubham Agarwal from Aequitas. Please go ahead.

Shubham Agarwal: Thank you for the opportunity Sir. My first question is related to the EV segment again. Can you say what would be our market share currently across segment in EV Tyres.

Anshuman Singhania: It is very difficult to say about the market share, but I would say that we are very committed to capture the growth in the EV segment and we are making efforts in terms of innovating products in across segments to increase EV participation.

Shubham Agarwal: My second question is related to the other expenses this quarter. If we see our total other expenses compared to last quarter, there is a sharp jump of 1% of total other expense over turnover. So could you please explain what is the reason for such a sharp increase and if you are taking any cost optimization measures going forward.

Sanjeev Aggarwal: The increase in expenses was on account of higher power & fuel, logistics and sales promotion cost.

Subham Agarwal: I understand that. But typically, we would expect that the cost increase in proportion to the turnover and overall, we have seen a scenario of cost going down whether in terms of packaging or transportation etc., across industry. Whereas we have increased our cost. Our cost has increased so that is why I wanted to understand where is the difference.



Sanjeev Aggarwal: Kindly appreciate the fact that, this is primarily on account of power and fuel due to external factors as well. However, we are trying to control costs, reduce expenditure as much as possible. We have reduced interest cost despite rising interest rate scenario.

Subham Agarwal: Could you also give some light on the current raw material scenario and how do we expect the rest of the year basis the current prices?

Anshuman Singhania: Raw material costs has reduced by 1% on a Q-on-Q basis and we are expecting a stable raw material price scenario for the FY2024. We are closely monitoring the movement in the raw material prices.

Subham Agarwal: Lastly on the growth. How do we expect the overall growth for rest of the FY2024 year?

Anshuman Singhania: On overall outlook, we are very optimistic on the automobile and tyre industry, which is largely led by the infrastructure push by the government and we are seeing that the CV market demand very strong. The farm market is also looking good on onset of monsoon. So, we are definitely hoping for good growth.

Subham Agarwal: Lastly on the Capex side, so all the Capex are on track and what is the total investment that we are planning for the rest of the year?

Anshuman Singhania: Yes, all the capex were on track. We have total capex plans of Rs.1100 crore in addition to that Rs.250 Crores as normal capex. So, these all are on ground and getting commissioned on their respective dates.

Subham Agarwal: Thank you, Sir. That, is it from my side.

Moderator: Thank you. The next question is from the line of Abhishek Maheshwari from SkyRidge Wealth Management. Please go ahead.

Abhishek Maheshwari:Hi, thank you for taking my question. Just one question. China is the biggest tyre manufacturer with a good export market and the domestic demand of China is coming down as many reports are suggesting. So do you feel that the competitive intensity in the export markets are going to pick up significantly because there will be more supply in export markets now. So what sense are you getting from this trend?



Anshuman Singhania: Right now, China is also getting a lot of internal consumption. Yes, there is export to the rest of the world from China and the competitiveness from China to India. But, there is a regulation in place for Chinese imports. So, all the Indian players including us are competing in different ways.

Abhishek Maheshwari: So, you are not expecting this trend to put a lot of pricing pressure in the export market.

Anuj Kathuria: Not really. See what happens that in certain markets, say the US market our truck and bus radial are generally performing better than the other products which are coming in from say China, Vietnam, Thailand. Our products are more in line with the Korean products. So therefore, there is a certain segment and the classification of tyres in that market and once the market demand over there picks up which is likely to pick up I think so people would start going for the value products rather than only looking at the price point.

Abhishek Maheshwari: Thank you. My last question is you are saying that you have plan to premiumize your product portfolio. When you say premium is you mean more of EV tyres and usage of more sustainable materials. Something like that or maybe in terms of getting your tyre used in luxury cars like Audi, Mercedes.

Anuj Kathuria: Actually, when we talk about premiumization whether it is in TBR or in PCR. In TBR also we have premium SKUs like the energy efficient, fuel efficient series, the extra mileage series which are demanding a premium in the market place, similarly in PCR when we go for the 16 inch and above, those tyres are definitely selling at better premium and the realization of margins are better. So, over the years we have made a conscious effort in increasing the overall volume in higher inch category. We are seeing that every quarter we are able to get at least a couple of percentage points up on these premium products. So, this overall enriches the

entire product mix. We have launched the Levitas Ultra range of tyres which is in the luxury car segment that is also started selling in some numbers we are also going to have some more premium products that will be launched in the near future. So, all these are efforts towards our drive on premiumization.



Anshuman Singhania: Our introduction of Levitas in the Ultra Luxury segment has also added to the premiumization which is on the 17 inch and above and we will be continuously introducing more products in that category.

Abhishek Maheshwari: Got it, Sir. Thank you very much for answering my questions. All the best.

Moderator: Thank you. We will take the next question from the line of Tushar, an individual investor. Please go ahead.

Tushar: Hi, Sir. My first question is can you give total exports from India and export from Tornel separately like in the first quarter and fourth quarter previous year.

Sanjeev Aggarwal: Overall exports stood at Rs.587 crore on consolidated basis. On standalone basis exports stood at Rs.306 crore. So, the balance is from Cavendish and Tornel. If, we have to divide between India and Mexico, India stood at Rs.384 Crores and the balance is from Tornel.

Tushar: Rs.384 crore from India and balance from Tornel.

Sanjeev Aggarwal: That is correct.

Tushar: My second question is on the demand side we have very good outlook over the demand. So, can we achieve 10% sales growth in this quarter and full year and because one report by Yes Securities dated 25th June quoted management that we aim to achieve 15% to 20% sales growth in this full year FY2024.

Anuj Kathuria: If you look at the overall growth in the demand, it will pan out differently for the different segments. So, for the commercial vehicles, we expect somewhere around a double-digit growth because of the infrastructure push. When it comes to the passenger vehicle, we expect that it would be in a high single digit and that is what is the forecast as of now, but we for JK Tyres are working, our growth in passenger vehicles is better than the industry and we continue to experience that in the times to come. While the industry will grow at a high single digit, we should be able to grow at a slightly higher rate than that. When it comes to 2-3 wheelers, there the industry is expected to be more flattish as compared to the other segments. But, we are waiting for the rural economy to come back to see some good numbers coming in. So, we have to watch every segment closely. Farm as we know has not yet



recovered, but again with a good monsoon we are hoping that in the farm sector would have a smarter recovery that would happen, especially the second-half of the financial year.

Tushar: Thank you so much. My next question is on the employee expenses side. As we can see that it has continuously grown up as percentage of sales. These are highest in the industry. So, do you think this will come down to normal levels in next two, three quarter.

Sanjeev Aggarwal: I can assure you that we have been working aggressively in this area and we will definitely try and reduce the expenditure in line with the industry. So, we are trying to work out on efficiencies improvement across all our plants and in manufacturing as well. So, tech enabled manufacturing is also underway, so we will improve upon it going forward.

Tushar: Do you expect other expenses also to come down in coming quarters like previous range 14.5% to 15% of total sales.

Sanjeev Aggarwal: As I said earlier, we are working on it and we are trying to reduce expenses all across, which is a part of our efforts to reduce the overall cost.

Tushar: My next question is on the raw material market side. How much raw material costs can go down for the incoming two quarter, your expectations?

Anshuman Singhania: See the raw material prices had started to come down from third and fourth quarter of last year and Even, we saw reduction in quarter one as well. From here on it is going to be more range bound and should be stable. In our understanding, RM should be more stable in the next couple of quarters.

Tushar: Just a last question, Sir. We are paying 36% tax and even our current tax is more than 30%. So, when do we plan to shift to new tax regime?

Sanjeev Aggarwal: Once we have consumed the MAT credit in JK Tyre, we will move into the new tax regime and will reduce our overall tax rate.

Tushar: Thank you so much. That is all from my side.

Moderator: Thank you. The next question is from the line of Bharat Bhagnani from Living Root Capital. Please go ahead.



- Bharat Bhagnani:** I have a couple of questions primarily on the revenue front. You had reported sales growth of about 2% for this quarter, while we have seen the rest of the industry post better numbers. What is the reason for that?
- Anuj Kathuria:** See one of the things that we need to notice is that, we are supplying to the OEM's in the commercial vehicle segment in a big way, especially in the medium and heavy commercial vehicle because of the new emission norms, i.e., OBD2 norms. There was reduced demand coming from the OEMs, but this is expected to come back in a big way from September onwards. The reports that we are getting from the OEM's, all the major M&HCV manufacturers is that the demand would be very good. Overall for the year they are expecting a double-digit growth. So, quarter one was actually very slow because of the new introduction of the emission norms. So that is one of the reasons why you saw the growth in our topline to be a little a bit muted, but in the passenger car if you see our numbers are much better than the industry growth.
- Bharat Bhagnani:** So, like you mentioned to the previous participant that the commercial vehicle growth is in double digit and passenger expecting in high single digit or mid single digit. So overall what are you expecting in terms of growth this year in terms of revenue, when I mean revenue, I mean any kind of price increases that you will take on the volumes as well?
- Anuj Kathuria:** We believe this year it will be more volume driven growth rather than price driven growth and definitely we would be targeting in the double-digit range.
- Bharat Bhagnani:** Can you give me some color on the tertiary sales that are happening currently because these numbers obviously represent the primary you giving it to the distributors, and distributors selling it or giving it to the retailers and retailers selling it. I am talking about the replacement side of things. How are the tertiary going on at this point in time for you? We see demand coming from there.
- Anshuman Singhania:** In terms of the replacement demand, it is looking very robust as there is a lot of high truck utilization and with the onset of monsoon and tapering down of inflation. Most of the regions, there is a robust pickup in the core sectors like cement, steel, mining. There is also a lot of inventories which were piled up with the trade dealers. They are also sort of coming down and cleared. So, we are seeing a robust demand coming in from the trade for sure.



Bharat Bhagnani: You had mentioned in the presentation that you currently at 85% utilization. So, this is with the existing capacity for the PCR that was enhanced about a month ago that you have announced. So, at that level you are at 85%.

Anuj Kathuria: Yes, as we said that the capacity expansion programmes are ongoing. So as of now with our existing capacity, we are overall it is around 85% to 90%. But if you take PCR in specific in quarter one, it was near 90% - 95% and definitely we will be utilizing it even better. But as we speak, the new capacities are also getting set up. So, it will play out in a way that while the demand will be picking up, our capacities also will come in simultaneously and we would be able to utilize the capacities from practically day one.

Bharat Bhagnani: My final question is, when you look at the entire subset of the tyre industry in India and the major players, are only four or five players who are there and JK Tyre being one of the largest. But we see a very big discrepancy when it comes to the margins quarter-on-quarter, if you notice in the last eight quarters or the last twelve quarters. The operating margin differential between some of the major companies. It should not be so much, so high. What do you think is the reason for that? Is it like they are selling more premium products? We are not selling more premium products because raw material availability to everybody is the same?

Anshuman Singhania: Every company is playing out their own strategy. So here Anuj was also trying to say that in the commercial vehicle participation is very high. Then as export was also a bit muted because of the global recessionary scenario, However, we are constantly working on our efficiency parameters and cost control measures, which will add to the operating margins.

Bharat Bhagnani: So, I am seeing that efficiency measures, actually, like you mentioned in your opening remarks that you are industry-leading in terms of all efficiency margins when it comes to water and power, etc. But my point is that if raw material availability to everyone is the same in terms of pricing, then definitely the quality of the revenue is what will make the difference when it comes to the margin, I mean, at what price we are able to sell it at? Unless discounting for that matter.



- Anuj Kathuria:** We have to also see the participation in the various segments. So, when we speak about premiumization that is the entire effort to see how we can sell more premium products and one thing which I just like to add to what Anshuman said is that regarding the CV participation. The recovery in the CV has come at a lag and from the next quarter we could see almost full recovery happening, but it took some time because of the way the CV business is structured, whereas more on the PV side it is more indexed the raw material prices are indexed whereas on CV side the indexation is not there.
- Bharat Bhagnani:** Got it. Thank you so much.
- Moderator:** Thank you. The next question is from the line of Shashank Kanodia from ICICI Securities. Please go ahead.
- Shashank Kanodia:** Yes, Sir, firstly clarification on the Capex part. So, this Rs.1100 crore is spread over two years, right, the growth Capex.
- Sanjeev Aggarwal:** Firstly, debottlenecking capex Rs.300 crore has been already implemented and remaining Rs.800 crore is under implementation. Out of that some capex has happen last year on account of placement of orders and also giving some advances to the suppliers. So, the majority of the Capex outgo will be in this financial year. Therefore, Rs.800 crore is under implementation in this financial year and will be completed in this financial year and then of course some part of the expenses, payments will happen in next financial year.
- Shashank Kanodia:** So, sir is it safe to assume that this on a cash flow perspective, we spent something like 600 this year and 200 next year.
- Sanjeev Aggarwal:** Broadly, Rs.500 Crore will be this year and the balance will be in the next year.
- Shashank Kanodia:** What is your operational capex and then the Opex that we do earlier.
- Sanjeev Aggarwal:** Maintenance Capex will be Rs.250 crore for this financial year.
- Shashank Kanodia:** And this is recurring in its rate. So, every year will spend something like 200 Crores, 250 Cores each year.
- Sanjeev Aggarwal:** Yes, your understanding is correct.



- Shashank Kanodia:** Understood. Since, you mentioned that large part of RM benefits is already priced in our margins. So, going forward in the near to medium-terms what kind of sustainable margin profile are we looking at?
- Sanjeev Aggarwal:** So, we have discussed just now that there are efforts being made to improve upon margins and as Anuj ji just mentioned about the lag effect which is in there in the CV segment. So that will also be panning out in the coming quarters. I hope that there will be some improvement in margin going forward, but how much it will be, this is difficult to answer at this point.
- Shashank Kanodia:** But sustainable range for us can be roughly this 10% - 15% range or can it be even better than that.
- Sanjeev Aggarwal:** We do not want to give any guidance on margin as of now, but good margins are sustainable in this industry as long as the stability of the raw material prices continue.
- Shashank Kanodia:** Thirdly in the market place given the fact that all the tyre companies are making good amount of profits. So, have there be any price correction by any of the competitors, has there been in the OEM side, or on the replacement market side.
- Anuj Kathuria:** Basically, on the OEM side as, I said, passenger vehicle is mostly indexed. Therefore, it will depend on how the raw material prices move. On the replacement side, it is a function of demand. So, if demand is robust and the overall volumes are there. So, we are not seeing any major pressure coming on the pricing, although it is again more region specific and applications specific. But overall, I see that it is maintained as of now.
- Shashank Kanodia:** Lastly, if you can share what will be your debt reduction target for this year, next year?
- Sanjeev Aggarwal:** Debt reduction definitely is there on the cards with the efficient working capital management in the first quarter itself. We have reduced the overall debt by Rs. 252 Crores. Presently, we are at Rs.4250 Crore of net debt in June'23. As far as long-term debt is concerned we have a target to reduce the long-term debt by 25% till FY26, this is after considering the new debt which, we will be raising for the existing projects we are implementing. as of now. With the efficient working capital management overall debt will reduce.



- Shashank Kanodia:** And then last thing, if you can share the raw material basket numbers in terms of what was the procurement cost for natural rubber and carbon black in stock.
- Sanjeev Aggarwal:** Raw material basket definitely has remained constant and there is a stability in terms of the raw material prices and there is not much of a difference. However, there is of course the high-priced inventory that has got liquidated which has resulted in good improvement in margins in the first quarter.
- Shashank Kanodia:** Thank you so much and wish you all the best.
- Moderator:** Thank you. The next question is from the line of Mitul Shah from DAM Capital.
Please go ahead.
- Mitul Shah:** Thank you for the follow up opportunity. Sir, I have few more questions. First one is on the price increase, any price increase we have taken in India or Mexico during the quarter, and is it towards the end of the quarter or beginning?
- Anshuman Singhania:** We have taken from the corresponding quarter 5% in India and overall consolidated 3%.
- Mitul Shah:** This is you are talking last 12 months, right?
- Anshuman Singhania:** Yes, this is on year on year basis.
- Mitul Shah:** During the quarter anything taken.
- Anuj Kathuria:** If you compare with the previous quarter, actually we have been able to sustain the pricing levels despite there has been a slight reduction in the raw material cost.
- Mitul Shah:** Any geographies we required to rationalize like few of your competitors mentioned that we need to rationalize pricing also.
- Anuj Kathuria:** That is always, you have to see the geography, the region and the segment that you place and it is a continuous exercise. So, this is nothing specific to mention on it.



- Mitul Shah:** Second question is on volume growth. We have given many numbers on the Q-oQ basis, if you can give Y-o-Y numbers for various segments, which we give in our all the components in terms of segment wise OEM replacement Y-o-Y performance on volume terms.
- Anuj Kathuria:** The question was on Y-o-Y volume growth, right?
- Mitul Shah:** Right.
- Anuj Kathuria:** We have seen volume growth on Y-o-Y basis in the domestic market, the export market as you know was subdued as compared to the corresponding quarter. But we saw growth over the previous quarter. However, over the corresponding quarter as we mentioned, the recession had started setting in a little. So there we saw a drop in the volumes, but in domestic we witnessed growth.
- Mitul Shah:** I am looking for numbers in terms of PCR, CV, TBR, two-wheeler, etc. The segment wise volume numbers which we share in the concall.
- Sanjeev Aggarwal:** Mr. Shah, this information is quite confidential. We do not want to disclose this.
- Mitul Shah:** Can you share utilization segment wise?
- Anuj Kathuria:** On utilization broadly as we have said that both for the passenger radial and the truck and bus radial it was upwards of 90% and for the bias it was in the range of 75% to 80%.
- Mitul Shah:** Sir the last question on this green tyre in terms of pricing, how different or how much increase compared to normal tyres for the same size and category and any sizeable or meaningful contribution is coming from this or this is very initial launch type?
- Anshuman Singhania:** Right now, our green tyre is still undergoing testing. It is not commercially launched. We are still yet to see the pricing, but definitely the pricing is going to be higher than the normal tyres.
- Mitul Shah:** Okay, Sir. Thanks a lot. All the best.
- Moderator:** Thank you. Ladies and gentlemen, that was the last question for today. I would now like to hand the conference over to the management of JK Tyres for closing comments. Over to you.



JK Tyre & Industries Limited
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Anshuman Singhania: I once again thank you for joining us today for the Q1FY24 investors call and we hope we able to reply to your questions to your satisfaction. I on my behalf and on behalf of JK Tyre Thank you.

Moderator: Thank you very much. Ladies and gentlemen, on behalf of ICICI Securities, that concludes this conference. We thank you for joining us and you may now disconnect your lines. Thank you.