

Price: 293

Recommendation: Buy

Industry: Tyres & Rubber Products

Sector: Consumer Discretionary

Report Date: 03-Apr-2025

JK Tyre & Industries Limited is enhancing its market position through strategic initiatives. The company is expanding its product portfolio with premium products for advanced markets and increasing its distribution network. Investments in technology and sustainability, including a Digital and Analytics Centre and a commitment to 100% renewable electricity by 2050, are key. Despite challenges like raw material costs, JK Tyre is optimistic about growth, driven by capacity expansions and government projects.

Sales		Profit & Loss		Profitability Matrix	
Current Year	10119 Cr	Operating Profit (Year)	1076 Cr	Operating Profit Margin	10.6 %
Previous Year	9618 Cr	Operating Profit (Quarter)	185 Cr	EBITDA Margin	13.94 %
Current Quarter	2496 Cr	PAT (Year)	614 Cr	Net Profit Margin	5.95 %
Previous Quarter	2515 Cr	PAT (Quarter)	47.7 Cr	EPS	16.4
Revenue (QYoY)	2564 Cr				
Valuation Matrix		Growth (YoY)		Growth (QoQ)	
Trailing P/E	17.8	Sales Growth	0.28 %	Sales Growth	-0.76 %
PEG Ratio	0.62	PAT Growth	200.98 %	Sales Growth QYoY	-2.65 %
EV/EBITDA	9.13	EPS Growth	-27.75 %	PAT Growth	-52.77 %
P/B	1.98	Dividend Yield	1.54	PAT Growth QYoY	-71.44 %
Capital Allocation		Holdings		Leverage	
RoE	18.1 %	Promoter	50.6 %	Debt/Equity	0.74
RoA	6.99 %	FII	16.0 %	Debt	2985 Cr
RoCE	19.5 %	DII	6.33 %	Market Cap	8019 Cr
RoIC	12.2 %	Public	27.0 %	Enterprise value	10414 Cr
		No of Shares	27.4 Cr	Cash Equivalents	590 Cr

source : Company filings

Company's Overview Based on Recent Concall and Performance:

In the recent earnings call, JK Tyre & Industries Limited outlined several strategic initiatives and business strategies aimed at enhancing their market position and operational efficiency. The company is focusing on expanding its product portfolio by launching new premium products in higher rim sizes, which cater to the evolving needs of advanced markets like the USA and the domestic market. This move is part of their strategy to reinforce dominance in the Passenger Car Radial (PCR) category, where capacity utilization remains high at over 90%. Additionally, JK Tyre is expanding its distribution network to supply more cost-effective products to mass merchandisers, thereby broadening its market reach.

The company is also investing in technological advancements and digital transformation to improve operational efficiencies. They have established a Digital and Analytics Centre of Excellence to enhance data-driven operational efficiencies. Furthermore, JK Tyre is committed to sustainability, being the first Indian tyre company to join the Global RE100 Club, targeting 100% renewable electricity by 2050. They have also tied up a Sustainability-Linked Loan with the International Finance Corporation, marking a first in the Indian tyre industry. These initiatives reflect JK Tyre's focus on innovation and sustainability as key drivers of future growth.

Looking ahead, JK Tyre is optimistic about future growth and scaling opportunities. The company anticipates promising demand in the replacement market and a recovery path for the Original Equipment Manufacturer (OEM) segment. They are strategically enhancing capacities in the Truck and Bus Radial (TBR) and PCR segments, with ongoing expansion projects at Banmore and Laksar Tyre plants. The company expects the overall revenue to increase significantly over the next two years, driven by these expansions and a robust capex program of Rs.1,400 crores. The management is also optimistic about the impact of government infrastructure projects and private capex on demand.

While the company has made significant strides, there are areas for improvement. The EBITDA margins have contracted due to sluggish demand in OEM and higher raw material costs, primarily driven by a rise in natural rubber prices. The company is taking measures to mitigate these cost pressures, including price revisions and cost optimization. However, there is still some under-recovery of 4%-5% that needs to be addressed. Additionally, the depreciation of the Mexican Peso has impacted revenues, but the company plans to increase exports to mitigate this effect. Overall, JK Tyre's strategic initiatives and focus on sustainability and innovation position it well for future growth, though managing raw material costs and currency fluctuations remain challenges.

JKTYRE Daily Closing One Year Price Chart



Name	Mar Cap (Rs. Cr.)	P/E	ROE	Sales(G) QoQ	Sales(G) QYoY	PAT(G) QoQ	PAT(G) QYoY
JK Tyre & Indust	8019.18	17.76	18.10%	-0.76%	-2.65%	-52.97%	-71.42%
MRF	48748.37	27.80	12.55%	1.74%	13.60%	-32.98%	-38.11%
Balkrishna Inds	48029.88	27.09	17.55%	5.81%	12.57%	29.56%	47.17%
Apollo Tyres	26874.37	19.91	13.22%	7.63%	5.04%	12.95%	-32.88%
TVS Srichakra	2072.62	49.26	10.65%	-4.63%	11.67%	-129.46%	-112.53%

Aspect	Commentary
Revenue	Revenue growth is modest with a slight increase from the previous year. However, quarterly revenue shows a minor decline, indicating potential seasonal or market fluctuations. The company should focus on strategies to stabilize quarterly revenue streams to ensure consistent growth.
Profit & Loss	Operating profit shows a healthy annual increase, but quarterly figures suggest a need for cost management. The PAT growth is significant annually, yet quarterly results highlight volatility. Strategic cost control and revenue enhancement are crucial for stability.
Profitability Matrix	The company maintains a solid operating profit margin, with EBITDA and net profit margins reflecting efficient operations. However, the EPS decline suggests potential challenges in earnings growth, necessitating strategic initiatives to enhance shareholder value.
Valuation Matrix	The valuation metrics indicate a reasonable market perception with a moderate P/E ratio and a favorable PEG ratio. The EV/EBITDA suggests efficient capital utilization, while the P/B ratio reflects a balanced market valuation relative to book value.
Growth (YoY)	Year-over-year growth is mixed, with significant PAT growth but a decline in EPS. The sales growth is minimal, indicating a need for strategic initiatives to drive top-line growth. Dividend yield remains stable, providing consistent returns to shareholders.
Growth (QoQ)	Quarter-over-quarter growth shows a decline in sales and PAT, highlighting potential market or operational challenges. The company needs to address these issues to ensure consistent quarterly performance and mitigate the impact of external factors.
Capital Allocation	The company demonstrates effective capital allocation with strong RoE, RoA, and RoCE figures. The RoIC indicates efficient use of invested capital, supporting long-term growth. Continued focus on optimizing capital allocation will enhance financial performance.
Holdings	The promoter holding is stable, reflecting confidence in the company's prospects. Institutional holdings indicate market interest, while public holding suggests a balanced ownership structure. Maintaining this balance is crucial for market stability and investor confidence.
Leverage	The debt/equity ratio is moderate, indicating manageable leverage levels. The company's market cap and enterprise value suggest a strong market position. Effective debt management and strategic investments will be key to sustaining financial health and growth.

Analyst viewpoint: JK Tyre & Industries Ltd. stands poised for substantial growth in the short to mid-term, driven by robust strategic initiatives and effective capital allocation. The company's recent efforts to expand its product portfolio with premium offerings tailored for advanced markets, alongside a widened distribution network, underline its commitment to capturing more significant market share. Technological investment and initiatives such as the Digital and Analytics Centre further demonstrate JK Tyre's dedication to operational excellence and sustainability, positioning it as a forerunner in the sector. The ongoing capacity expansions, particularly in the Passenger Car Radial and Bus Radial segments, highlight the company's readiness to meet burgeoning demand, especially with promising trends in government infrastructure projects. With a solid RoE of 18.1% and efficient valuation metrics, JK Tyre exhibits a strong balance of efficient capital utilization and market confidence, indicating sound future prospects.

Despite the positive outlook, some challenges remain, notably in cost pressures due to elevated raw material prices and currency fluctuations. While EBITDA margin contractions are an area to watch, strategic cost optimizations are underway to mitigate these impacts, revealing proactive management. Furthermore, peer comparison shows JK Tyre holds competitive positioning evidenced by its moderate Trailing P/E of 17.8, which indicates favorable market perception compared to peers. While the sales and PAT growth have seen dips QoQ, the overall strategic direction and investments provide a strong foundation for anticipated revenue and profitability growth in the coming quarters. In summary, JK Tyre's focused expansion and innovation efforts, complemented by strategic cost management, solidify our bullish perspective on its performance trajectory.

Please read detailed disclosure on next page.

