

June 08, 2016

Buy Around:	₹ 90.5-91.0
SL:	₹ 86.50
Target:	₹ 99.0
Upside:	9%
Horizon:	1 Month

JK tyre has reported fourth quarter result reasonably good. Its standalone sales was at Rs 1,685 crore and consolidated sales of Rs 1,932 crore instead of Rs 1,981 crore, EBITDA was Rs 275 crore against Rs 258 core and the profit after tax (as Rs 116 crore against Rs 104 crore in the corresponding quarter last year. Basically, sale in number terms and tonnage terms has gone up by 4-5 percent. Of course, in value terms, it has come down by 3% essentially as some of the selling prices were lower during this period, vis-à-vis the last year.

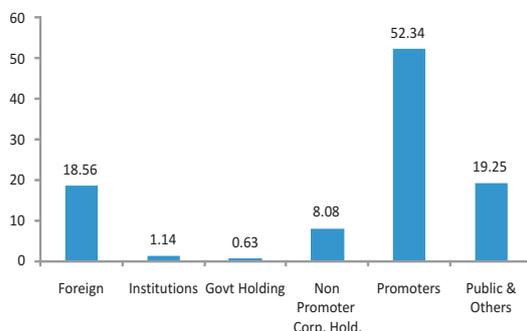
VALUE PARAMETERS

Current Mkt.Price (₹)	87.35
Face Value (₹)	2.00
52 Week High/Low	128.10/74.05
M.Cap (₹Cr.)	1981.22
EPS (₹)	21.43
P/E Ratio (times)	4.08
P/B Ratio (times)	1.41
Dividend Yield (%)	2.86
Stock Exchange	BSE

STOCK DATA

BSE Code	530007
NSE Symbol	JK TYRE
Reuters	JKIN.BO
Bloomberg	JKI IN

SHAREHOLDING PATTERN (MARCH 2016)



INVESTMENT ARGUMENTS

- The company has reported consolidated net sales for Mar 2016 quarter decreased by 3% to Rs 1932 crore. The net profit has increased by 10% to Rs 116.77 crore due to softness in raw material cost.
- The company is in expansion mode and about to complete its Chennai plant, which could impact margins to an extent, but on the flip side, it has added substantial capacity in completion. Apart from its latest acquisition of the Laksar plant of erstwhile Birla, which has also helped the company to get access to more capacities both in truck-bus radial and the other radials like the two, three-wheelers. So, it is expected that volume would increase and the company would maintain the margins going forward.
- Improving product mix on account of higher proportion of radial prices would also boost margins. Also, its debt to taper off from FY2017 due to peaking out of the capex programme. Lower debt is likely to improve the return and the interest coverage ratio for the company.

BUSINESS PROFILE

JK Tyre & Industries (JKT) is the third largest tyre manufacturer in the country with an overall market share of 16%. The company operates from four plants in India, with a current installed capacity of 13.7mn tyres annually. While 75% of JKT's tonnage volume is contributed by the commercial vehicle segment, the passenger car segment accounts for 15% of the volumes. JKT acquired Tornel in Mexico in FY2009, which has an installed capacity of 6.7mn tyres.

TECHNICAL TRENDS



We recommend a buy in the stock of JK Tyre & Industries Limited for a short-term perspective. The stock is trading at its good support level with good fundamental records and is expected to move up from this level. It made a 52 week low Rs74.05 and 52 week high of Rs 128.10. Buy around at 90.50-91 with a closing below stop loss of Rs.86.50 levels for the target of Rs.99.

Note:

- Follow Strict Stop Loss.

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