

**FUTURE
DRIVEN**



Corporate Presentation

August 2018

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Overview

JK Group 'One of the Eminent Industrial Group in India'

Founding Generation



Late Juggilal Singhania

Late Kamalpat Singhania

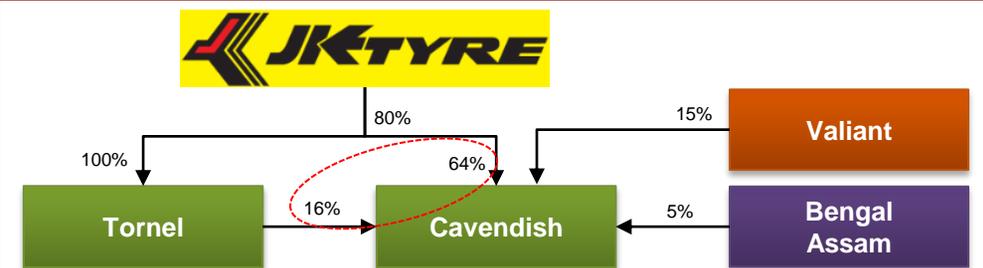
Late Lakshimpat Singhania



JK Tyre & Industries (JK Tyre)

- Established tyre business in 1976, JK Tyre is amongst the **leading tyre manufacturer** in India
- Manufactures wide range of products starting from 2.0 kg (2/3 Wheeler) to 3.3 ton (OTR)
- Brands:**
- Ranked as the 22nd largest tyre manufacturing company¹ globally**
- Annual capacity of **32mn Tyres with 12 manufacturing plants** globally as at 31st March 2018
- Wide range of products with sales in **~100 countries** during FY16, FY17 and FY18
- Extensive distribution** in India, Mexico and certain other geographies
- 1st Indian tyre company to have verified Carbon Footprint as per IS-14064
- Among the most energy efficient tyre companies in the world (10.2 GJ/Ton)
- Participant in the climate initiative 'CO2 neutral websites' with the vision to become a Green Company

Corporate Structure

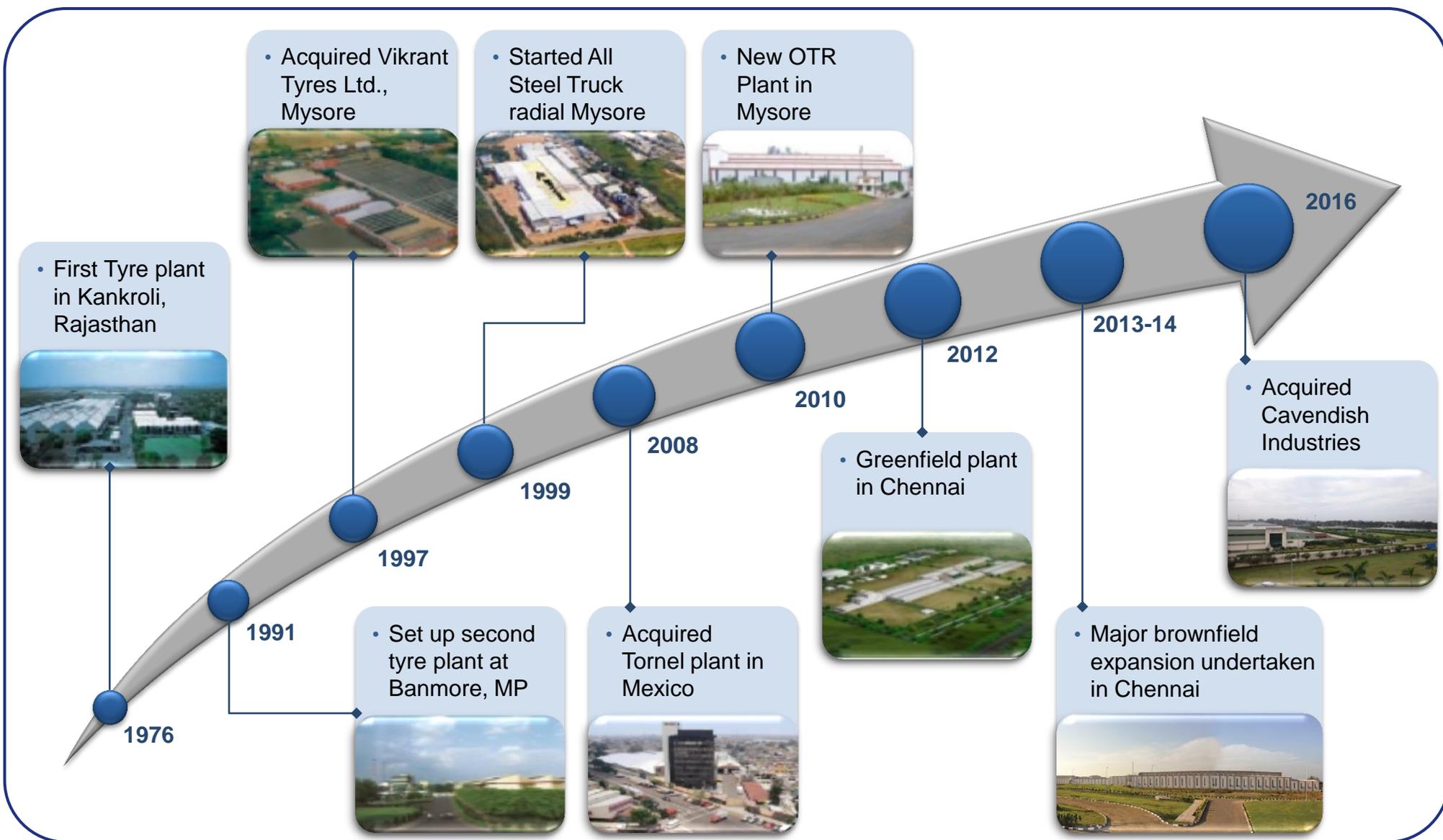


A Leading Indian Tyre Manufacturer with over Four Decades of Experience

1. Source: Global Tire Rankings by Tire Business, September, 2017)



JK Tyre: The Journey So Far

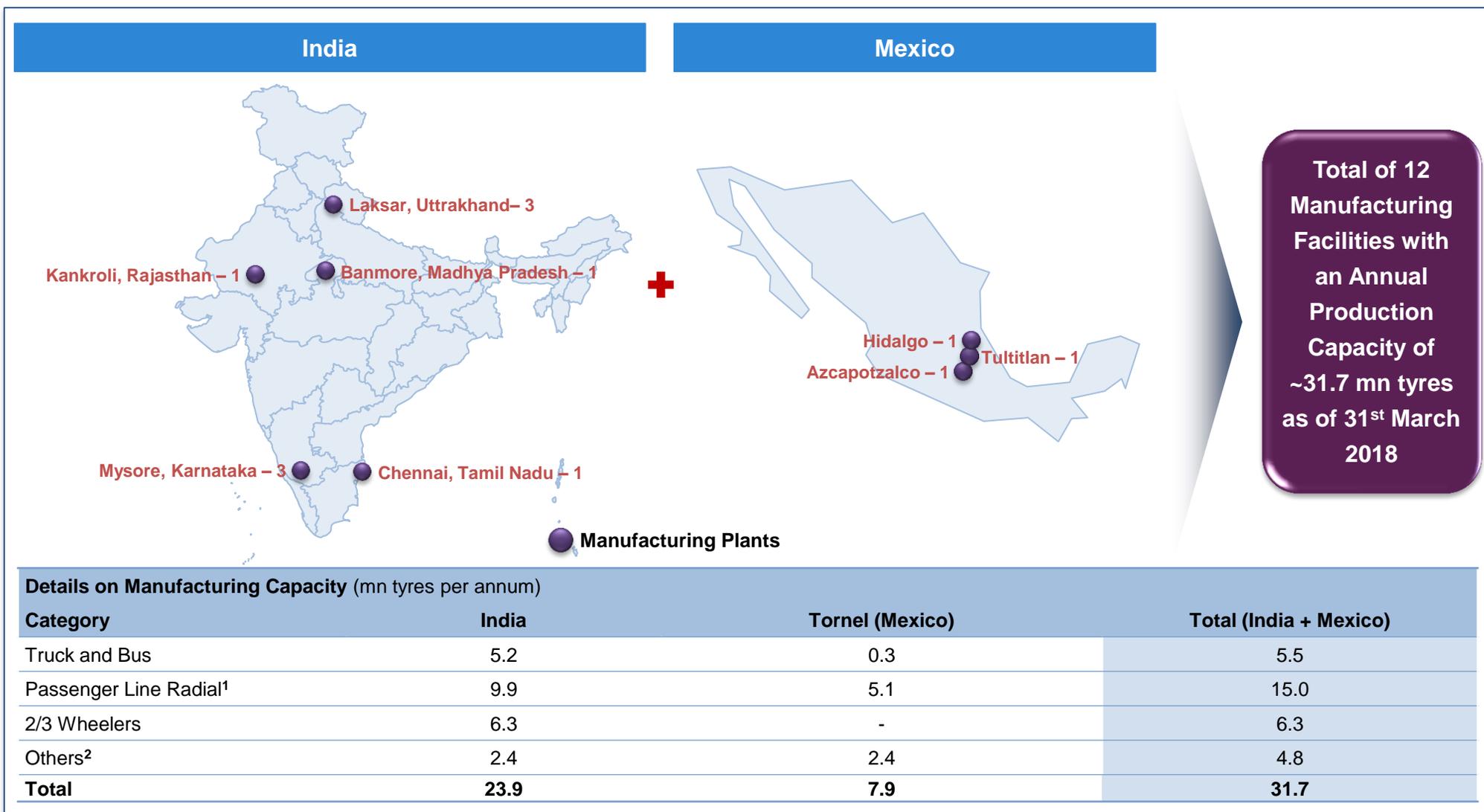


JK Tyre has a Successful Track Record of Organic and Inorganic Expansion



Manufacturing Footprint

Location of Manufacturing Facilities



1. Includes PCR, LCV Radial and SUV/SCV Radial

2. Includes OTR, Farm and Non Truck Bias



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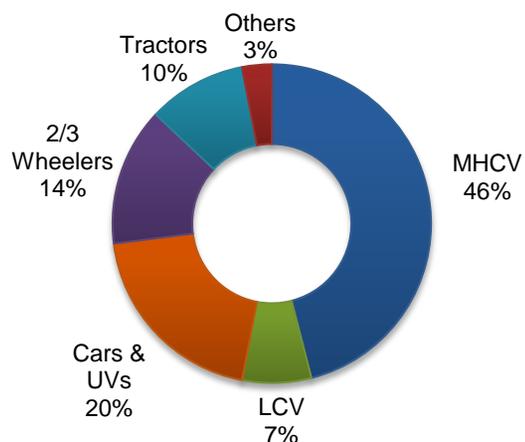
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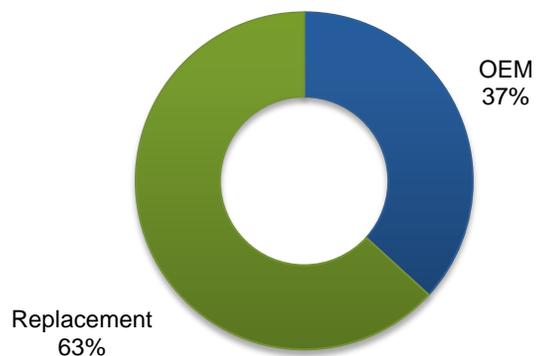
Industry Overview – India

Indian Tyre Industry Overview

By Segment – FY18 (Tonnes)



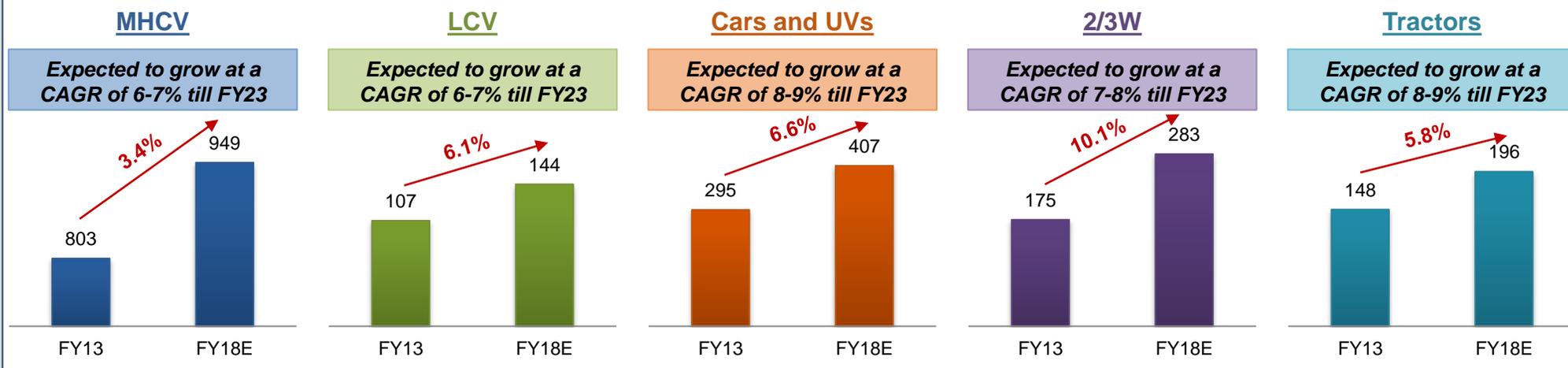
By End Market – FY18 (Tonnes)



Key trends in FY18:

- Tyre demand is estimated to have grown by 9-11%, where:
 - OEM segment grew at 17-19%
 - Replacement segment at 6-8%
- With the imposition of anti-dumping duty on TBR tyre imports from China, demand significantly shifted from Chinese to Indian tyre manufacturers
- MHCV tyre sales are estimated to have grown by 9-11% on account of strong sales in the MHCV segment

Tyre Demand Outlook across Segments (000' tonnes)



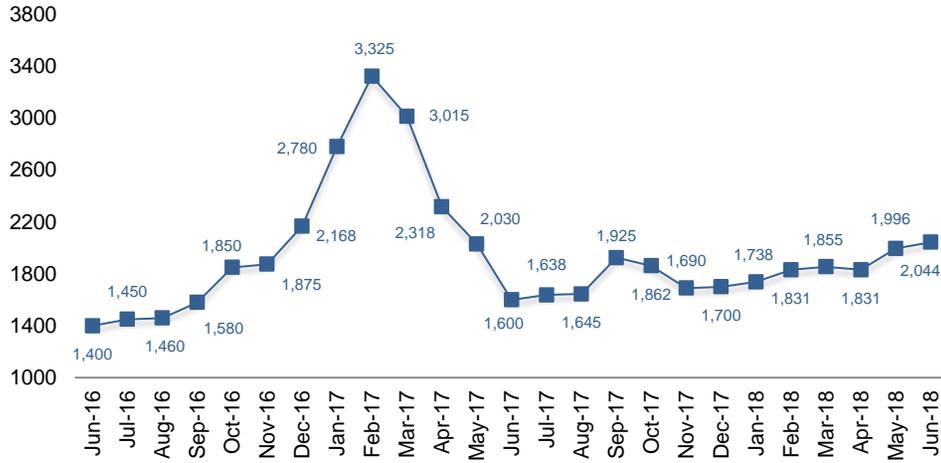
Growth Momentum is Expected to Accelerate across Tyre Segments

Source CRISIL Research

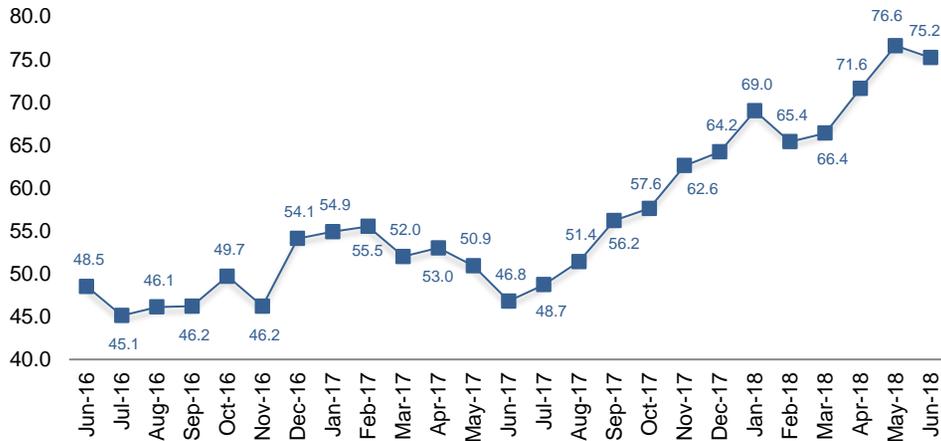


Raw Material Price Trend

International Rubber Price – (\$/tonne)

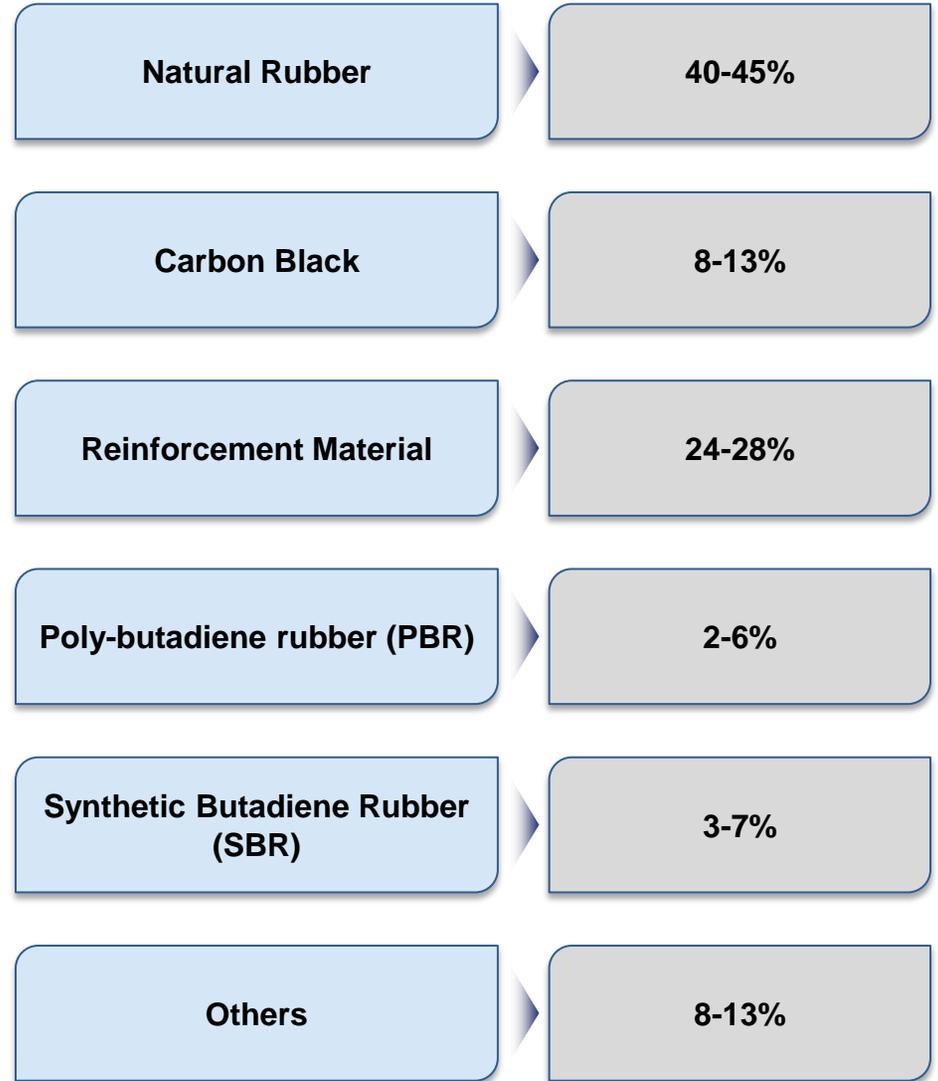


Brent Crude Oil – Price Movement (\$/barrel)



Source Crisil Research

Raw Material Consumption Mix (Value Terms)



Note Others include : Rubber chemicals, Butyl Rubber, Zinc Oxide, Bead Wire, VP Latex, Accelerators, Process Oils etc.

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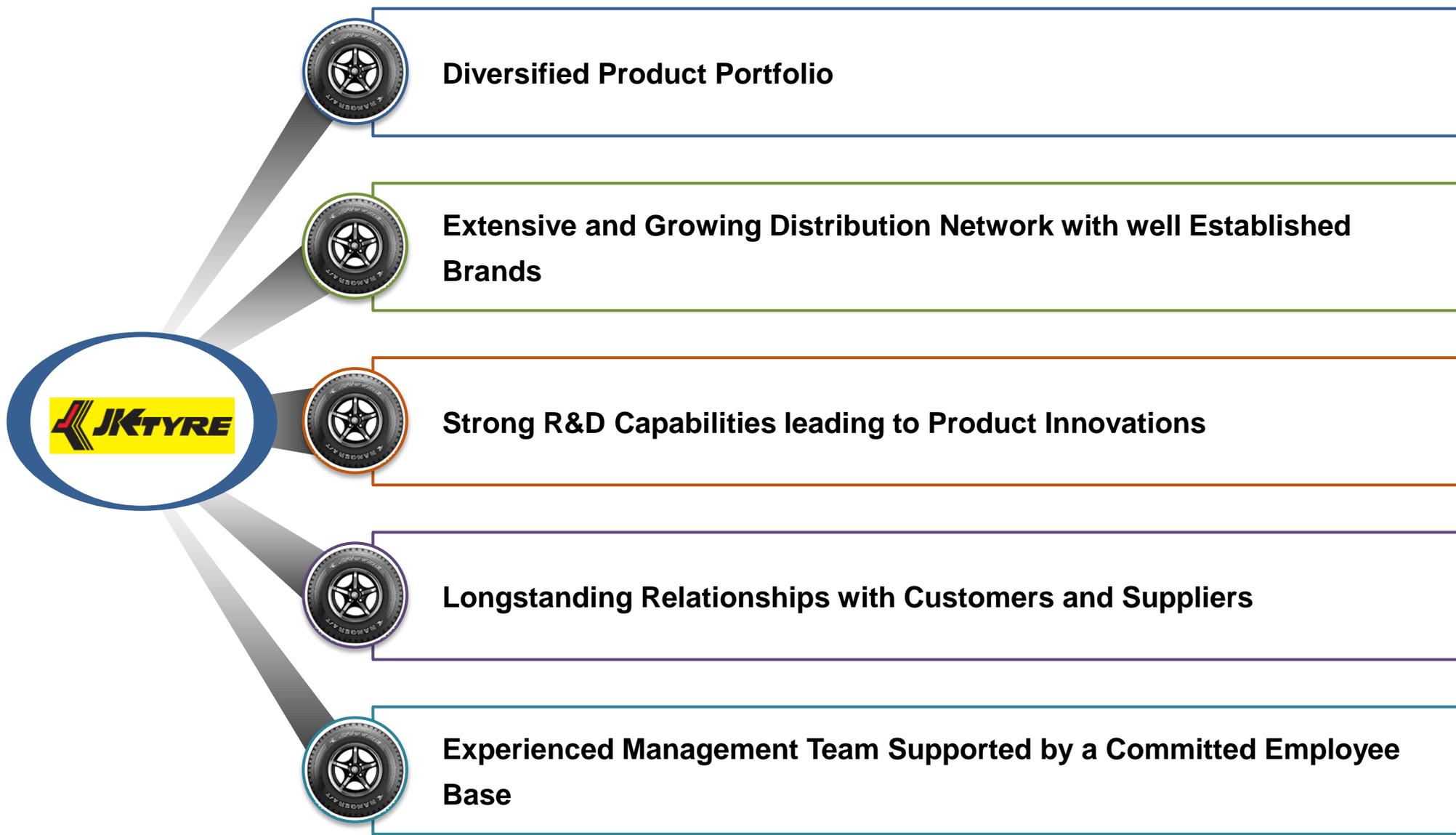


Key Focus Areas

Mexico Operations

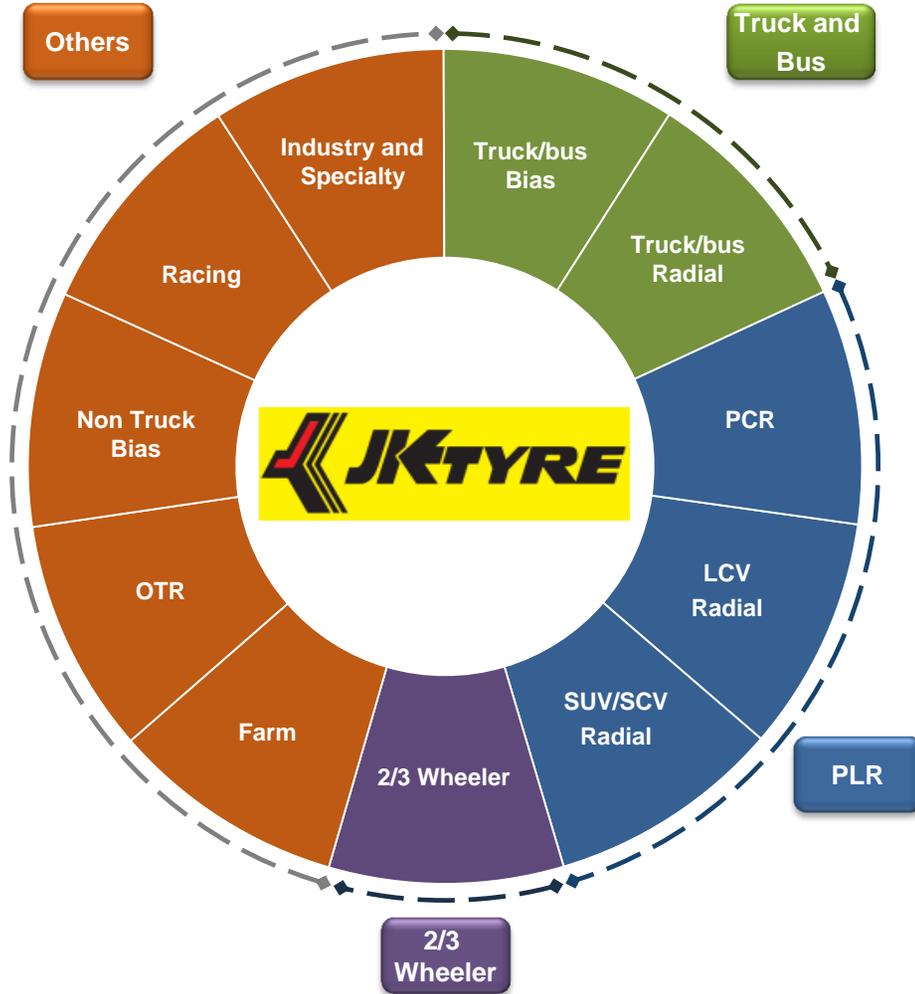


Our Strengths



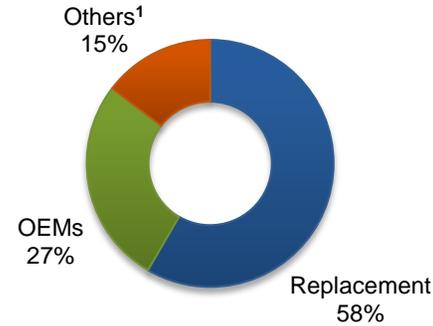
Diversified Product Portfolio

Wide Product Range

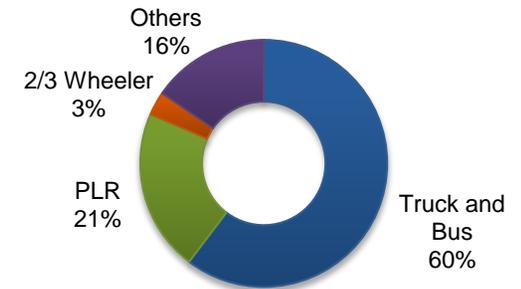


Sales Mix by Value (FY18)

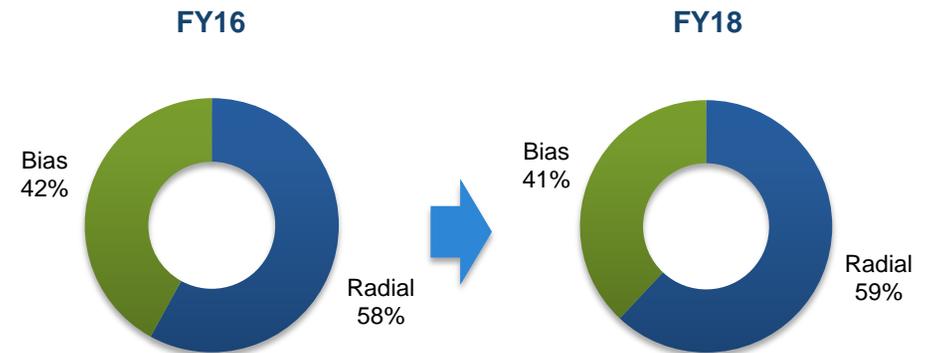
By Segment



By End Market



Product Mix (by Tyre Type)



Our Focus is to Gradually shift towards Profitable Segments and Radial Tyres

¹ Others include exports

Note: Sales Mix is calculated over consolidated financials; Product Mix calculated on Sales Value



Extensive Distribution Network ...

Indian Distribution Footprint

- ✓ 3,660 Dealers
- ✓ 314 Distributors
- ✓ Tie up with 690 Fleet Operators
- ✓ Tie up with 3 Oil Distribution Companies
- ✓ 166 Sales, Service and Stocking Points
- ✓ 20 Regional Offices



- 28 JK Tyre Truck Wheels
- Fully equipped Tyre service centre offering Total Tyre Solutions



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



- 59 Xpress Wheels for Small Towns & Semi Urban Markets



- 28 JK Tread centres for value added services such as re-treading

Mexico Distribution Footprint

- ✓ 97 Dealers
- ✓ Network of 144 third party dealers/distributors
- ✓ Network of 34 Distributors for Exports

Presence in Other Geographies

- ✓ 76 Distributors in Middle East and South East Asia
- ✓ 61 Distributors in Africa
- ✓ 60 Distributors in North and Latin America

1. All the figures stated are as at 30th June 2018



... with well Established Brands

Portfolio of Five Established 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					
					

Established Brands Providing Higher Visibility Domestically as well as Internationally



Strong R&D Capabilities leading to Product Innovations

R&D Facility

Technology Leading R&D Centre:

- Centralized R&D center in Mysore, Karnataka
- Employs more than 350 R&D and Technology personnel
- R&D efforts focused on the field of advanced materials, alternate materials, nanotechnology, process and product simulations, predictive technology, advanced tyre mechanics, etc.
- Greener Technology – Eco-range of products for cars and buses (E-vehicle) fitted with ultra low rolling resistance Tyres.



New Offerings (FY18)



184 New Products Launched for Domestic and International Markets



Additional 44 Products Launched in 2/3 Wheeler category to cater to high end bikes in the Indian market



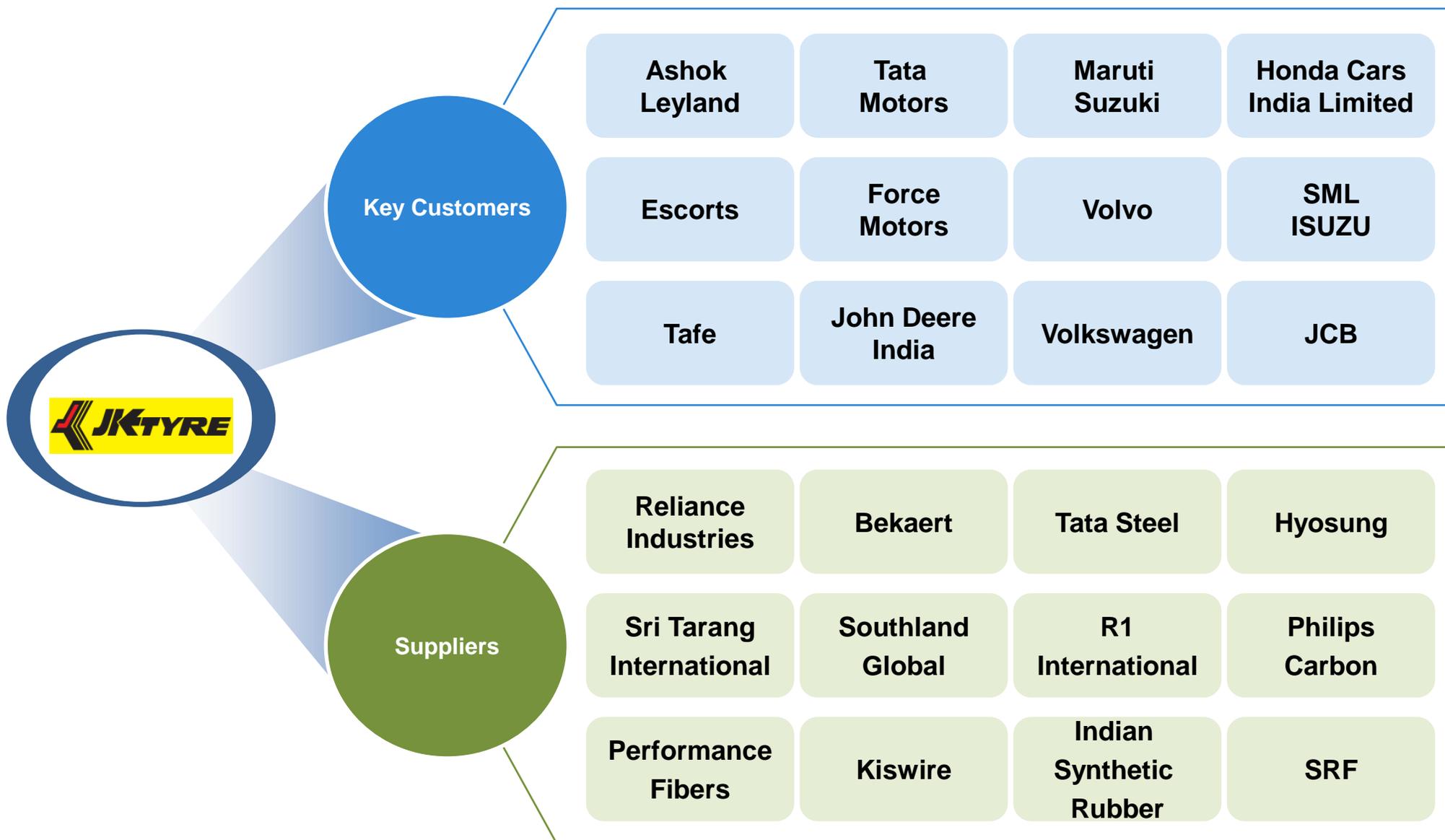
New four rib pattern JUH 5 launched enabling enhanced product performance



29 New Products specifically for Americas launched in PCR Category

R&D activities aimed at growing Market Share by introducing technologically advanced products and enhancing Profitability

Long Standing Relationships with Leading Industry Players



JK Tyre: Partner of Choice for Leading OEMs and Suppliers

Experienced Management with a Committed Employee Base



Dr. Raghupati Singhania
*Chairman &
Managing Director*



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



Anshuman Singhania
Whole-time Director



Rajiv Prasad
*President – India
Operations*



A. K. Kinra
Finance Director



V. K. Misra
Technical Director



Praveen Chaudhury
*Chief Operating Officer
– 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



K. H. Prasad
VP – CAVENDISH

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Consolidated Financial Summary (INR Mn)

Annual Financial Overview

	FY18	FY17	FY16
Net Revenue	84,182	77,548	69,225
growth%	9%	12%	(0.7%)
EBITDA	8,832	11,978	11,409
EBITDA %	10.5%	15.4%	16.5%
D&A	2,995	2,913	2,161
Finance Cost	4,655	4,404	2,524
Tax Expense	439	1,554	2,027
PAT	633	3,811	4,673
Net Worth	21,031	21,098	17,514
ROE	3.0%	18.1%	26.7%
Net Debt	57,160	53,492	27,676
Net Debt / Net Worth	2.7x	2.6x	1.6x

Source :

1. Company

Quarter Wise Performance

	FY19Q1	FY18Q4	FY18Q3	FY18Q2	FY18Q1
Net Revenue	24,461	23,971	21,354	20,680	18,177
YoY growth	35%	9%	16%	7%	2%
EBITDA	3,321	4,425	2,251	2,057	100
%	13.6%	18.5%	10.5%	9.9%	0.6%
D&A	774	769	768	742	716
Finance Cost	1,210	1,150	1,150	1,187	1,168
Tax Expense	427	903	131	14	(609)
PAT	642	1,589	113	103	(1,172)
%	2.6%	6.6%	0.5%	0.5%	-6.4%

FY18: A Transition Year

Implementation of GST

- The Government of India announced implementation of GST from 1st July 2017
- This led to destocking by dealers as no one wanted to keep non GST inventories. This led to sale volumes declining considerably in Q1 FY'18
- We believe that GST implementation is positive for the Tyre industry as it has already led to a drastic fall in imports by unorganised importers due to difficulty in evading taxes

Imposition of Anti-Dumping Duty

- The Government of India imposed an anti dumping duty in the range of \$245 - \$452 per tonne on truck/bus radials in September 2017 for a period of 5 years which is likely to make Chinese Tyres costlier by 10-12%
- This is estimated to reduce the influx of Chinese imports in the market and provide a level playing field to the Indian players

Increase in Raw Material Prices

- Natural rubber prices constitute 40-45% of total raw material consumption (by value) and any adverse movement in prices has a significant bearing on company's profitability
- International Rubber prices shot up by 53% from Dec'16 and Feb'17 (from US\$ 2,168/ tonne in Dec'16 to US\$ 3,325/ tonne in Feb'17) – the impact of which was felt in Q1 FY'18 due to lead time involved in procurement
- Since then the natural rubber prices have stabilized and were trading at US\$ 2,044/ tonne in Jun'18

Restructuring of Mexico Operations

- The wages in old manufacturing plants of Mexico were determined as per directions from the government which were having a significant impact on operational profitability
- We undertook a one time labour restructuring exercise in our Mexico plant in during FY18 that resulted in reduction of workforce from 1,172 (June 2017) to 951 (June 2018). Post this restructuring, JK Tornel can determine wages independently of government directives

Source :
1. Crisil Research

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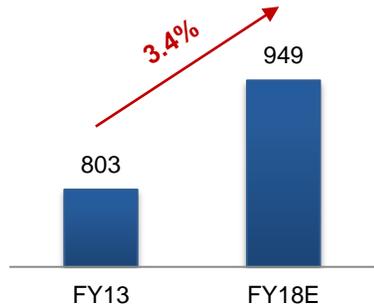


Key Focus Areas (1/2)

Enhance Market Share in Radial Tyres and 2/3 Wheeler to drive Future Growth

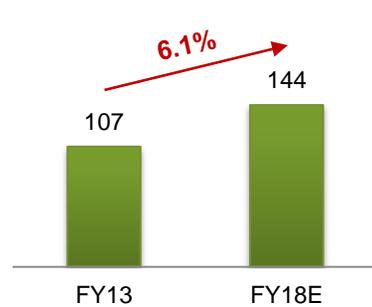
MHCV

Expected to grow at a CAGR of 6-7% till FY23



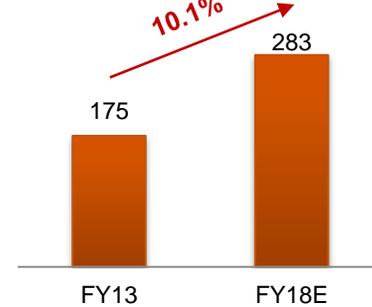
LCV

Expected to grow at a CAGR of 6-7% till FY23



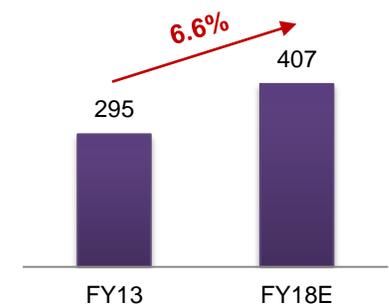
2/3W

Expected to grow at a CAGR of 7-8% till FY23



Cars and UVs

Expected to grow at a CAGR of 8-9% till FY23



TBR

- The CV cycle is in an uptrend and CRISIL expects growth to accelerate sharply till FY'23
- Furthermore, radialisation in 'Truck and Bus' segment is expected to grow to 60-65% in FY23 compared to 38% in FY18E
- JK Tyre is uniquely positioned to benefit from this uptrend through our innovative fleet management programmes with services like 'bill to ship to' model
- Considering the demand outlook, we are in the process of expanding our manufacturing capacity of TBR tyres at Laksar by 6.45 lakh units per annum

2/3 Wheelers

- Recently entered into the segment through acquisition of Cavendish Industries
- Recently commenced supplying to one of the leading OEMs in India and focused on expediting approvals from other OEMs
- Improve distribution network for 2/3 Wheeler Products

PCR

- Increase presence in the PLR segment via participation in new launches by OEMs, entering into non participating models
- Expand network in the replacement segments particularly through exclusive dealerships or 'brand shops'

Rationalize Capacity to benefit from Industry Uptrend and Achieve Profitable Growth

Source: CRISIL Research



Key Focus Areas (2/2)



1 Internal efficiencies improvements



2 Strengthening distribution network



3 More value added products, leading to profitable growth



4 Premiumization of products



5 Rural reach



6 Fuller utilisation of Cavendish capacities



7 More OHT tyres for better Bias capacity utilisation



8 Greener Technology – Eco range products



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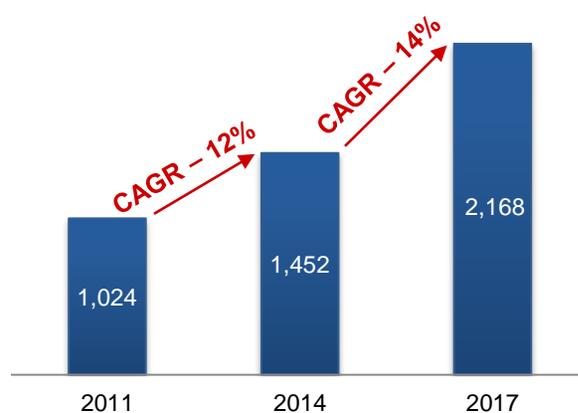
Industry Overview – Mexico

Mexico Automobile Industry Overview

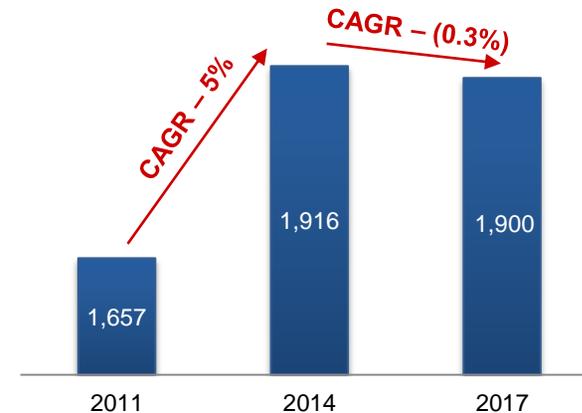
Overview:

- Ranked #7 in terms of total cars and CV production, ahead of Canada, France, Spain and UK
- The automobile sector accounts for 3% of the Country's National GDP and 18% of manufacturing GDP
- The country exported 92,985 fifth wheel trucks totaling \$8.5 billion, becoming the largest exporter of this kind of vehicle

Commercial Vehicle Production ('000 units)



Car Production ('000 units)

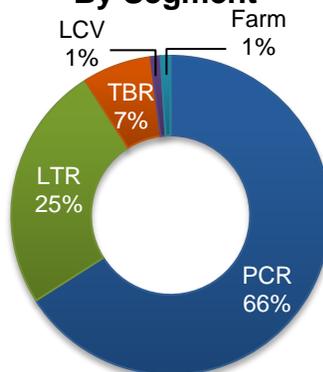


Mexico Tyre Industry Overview

Overview:

- Mexico's tyre market has grown at a CAGR of 6.2% over 2008 and 2017
- Tyre Industry is projected to grow at a CAGR of 8% – 9% during 2017-20 on the back of:
 - Strong growth in vehicle production and;
 - Increased demand in the replacement market

By Segment



Mexican Tyre Market (mn units)



Note: PCR stands for Passenger Car Radial, LTR stands for Light Truck Radial and TBR: Truck and Bus Radial
Source: CRISIL Research



Review of Wage Rationalization Exercise in Mexico

Drive Higher Profitability from Mexico Operations

Brief History

- In 2008, the Company acquired Tornel, a tyre Company with three manufacturing plants in Mexico with a combined annual capacity of 7.9 mn tyres

Issue

- The wage costs at JK Tornel have been very high (~15% of net production value in Apr-Jun 2017) due to a labour law applicable to old manufacturing plants
- This rendered JK Tornel non competitive; adversely affecting its growth and profitability

Rationalization Exercise

- Undertook a massive wage rationalization exercise which involved
 - temporarily stopping manufacturing operations
 - negotiating with union; recruiting fresh workers; and
 - restarting manufacturing operations

- **With precise planning, the project was successfully executed within an year. Major positives that came out of the exercise:**
 - Workers strength came down from 1,172 (June 2017) to 951 (June 2018)
 - Average Wage Cost have reduced from 15% to 8% of net production value for the same period
- **The Wage cost will go down further with increase in sales turnover as the operations have become fairly competitive with other manufacturers**

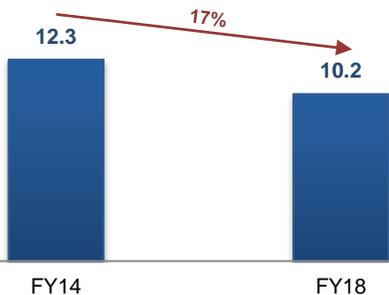




Sustainability Initiatives

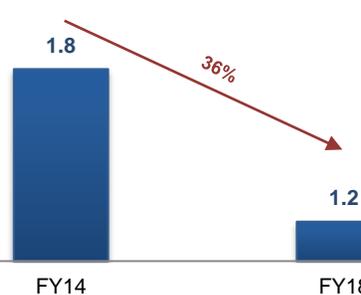
Progressing Towards an Environmentally Friendly Ecosystem

Energy Consumption (GJ/Ton)



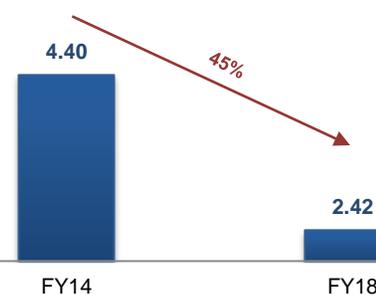
Energy Consumption (GJ/Ton) – 17% Reduction in last 5 years

GHG Emission (Eq. Co2Ton/Ton)



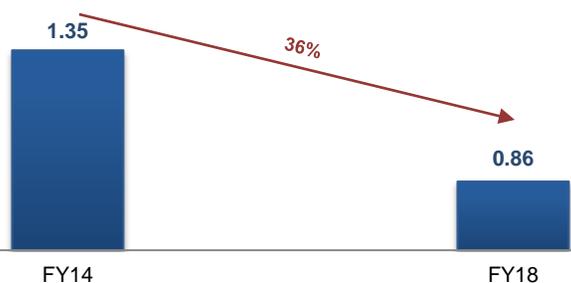
Carbon Foot Print (GHG emission) – 36 % Reduction over 5 years

Water Consumption (KI/Ton)



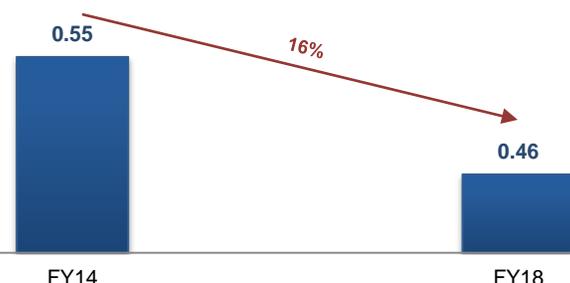
Water Consumption (KI/ton) – 45 % reduction last 5 years – an industry bench mark

Process Waste (% by value)



Process Waste % by value – Over 36% reduction in 5 years

Coal Consumption (Ton/Ton)



Coal Consumption MTs – 16% Reduction in last 5 years

37% of Power Requirement being met through Renewable Sources in FY18

