

JKTYRE & IND Analysis

Market Price: - 116 Rs at 16/02/17 12:47 PM

SL.No	Criteria	Particulars	Result
1	Face Value	2	
2	Year High/Low Ratio	2.18 (Should not more than 2.50)	Positive
3	Promoter holding	52.34 % (No Pledge Share)	Positive
4	Dividend	Regular Dividend Paying Stock	Positive
5	Base Price	132.19 (Stock is trading below its base price)	Positive
6	Netsale per share	259.25 Rs. Near 2.3 times High the CMP	Positive
7	Book Value	Consolidated= 77 increase to 86 Rs Standalone = 62 increase to 70 Rs	Neutral
8	Earnings Per share	17.78	Positive
9	Fundamental target price	154 Rs is the target Price.	Positive
10	Bulk and Block Deals	Bulk deal and No Block deals in past 24 Months	Positive
11	Split and bonus	No split and bonus in past 24 months	Positive

Some Important Points.

- Face Value is 2 because of the split in 2014 after which price came to 140 Rs from 560rs. So no split or bonus in past 24 months which is positive sign which also signifies that the stock is in consolidating stage.
- Book value is increase in the year 2016 last quarter which signifies the strong growth of the stock it is a momentum stock with no liquidity issue. It is trading above its book value but it is not problem most of the stocks is trading above its book value if it is performing well.
- Fundamental Target Price of the stock is 154 but I believe it may move to level of 400 to 600 Rs. In next 1-3 years.

Dividend History

2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
2	1.4	0.9	2	2	2	2.5	2.7	2.7	3.5
2011	2012	2013	2014	2015	2016				
3	2.5	3.5	5	1.50	2.50				

***Imp Point what dividend tell us??**

Dividend tell us about the management and the profitability of the company most of the profitable business are paying the dividends and also tell us that the management are good.

Return with Respect to Sensex

	1W	1M	YTD	1Y	3Y	5Y	10Y
Jktyre	-3.94%	-14.72%	1.19%	41.82%	309.92%	562.71%	278.47%
Sensex	-0.56%	3.24%	5.81%	21.48%	38.33%	55.19%	96.25%

- Here you can see the return of the JK TYRE and Sensex which outperformed the Sensex by huge numbers.
- JKTYRE 5 years average ROE is 23 % which very positive in term of growth.
- From past year JK Tyres doing very aggressive expansion like acquisition Cavendish in 2200 crs Rs which give access to two tyre market also and add capacity of 1.5 million unit for bus and truck Tyres.
- I will attach their investor presentation please download and read or Visit to this Link <http://www.jktyre.com/investorpresentation.aspx>
- Pioneer in radial technology.
- Shareholding : Number of FIIs holding stake have increased from 82 to 97 in Dec 16
- **Rising Investor Participation:** Delivery Volume of 7.42 lacs on 15 Feb has risen by 39.58% against 5-day average delivery volume.

	P/Bv	P/OCF**	Debt to Equity	PEG	ROE 5years avg.	ROE(Growth) 5 years avg.	Profit Growth 5 years avg.	Net sale in corers.
MRF	2.66	6.16	0.30	0.30	28.12%	19.15%	45.65%	20,243.94
Apollo Tyres	1.26	4.03	0.24	0.40	20.80%	-6.98%	19.87%	8,701.64
Balkrishna Inds	3.33	10.24	0.68	0.64	25.28 %	-5.39%	23.79%	3,241.77
CEAT	1.92	6.57	0.33	0.14	22.10%	0.06%	75.38%	5,494.15
TVS Srichakra	4.33	6.36	0.31	0.37	37.57%	12.38%	36.54%	2,059.87
Goodyear India	2.38	184.83	0.00	1.26	21.97%	-5.64%	10.41%	1,747.13
JK Tyre & Ind	1.57	3.23	1.82	0.20	23%	4%	42.18%	5,880.43

Conclusion: - Tyre industry is a very important part of the country for the growth and development and most of the transport and personal vehicles are depend on the tyre industries this business is a moat business till no new technology will be there to replace Tyres. See above table you can see that most of the companies has very less debt because competition is very less regarding than other sector.

DEBT to equity ratio should be less than 1 and if it is less than 0.4 then it is a most stable ratio.

- Jk tyre have the debt to equity ratio is higher than 1 and less than 2 which is ok because of aggressive expansion and low interest coverage & It also acquire candevish for 2200 corers which

put extra burden in their books but now they also enter into to the two tyre segments which increase their sales in coming years and also 35 % of the market share in truck and buses Tyres which also going to increase in coming years so I hope that jk tyre will manage to cut the ir debt.

- In terms valuation JK tyre is undervalue then it peers you can see the price to book value ratio.
- PEG ratio shows a tremendous growth opportunities to JK tyre then it peers.

PEG Ratio < 0.50 (+++)

1 > PEG Ratio > 0.5 (++)

2 > PEG Ratio > 1 (+)

PEG > 2 then not suitable for buy.

- The most important part P/OCF (price to operating cash flow) - For example, if the stock price for two companies is 200 per share and one company has a cash flow of 10 per share ($200/10=20$) and the other company has a cash flow of **15 per share** ($200/16=12.5$), then if all else is equal, the company with the higher cash flow has (lower ratio, $P/OCF=12.5$) has the better value. So in Case Jktyre which is 3.23 which is much better than its peer companies.

I think rest of the things can easily be understand by anyone. The thing is I feel that potential of Jktyre is more than other stocks they are conglomerate jk group and they are very competitive in price so much that they are giving tough competitions to Chinese Tyres most of the stocks in this tyre industry are trading high at this moment like CEAT, MRF, BALKRISHNAIND, TVS SRICHAKRA Only Apollo Tyres and Jk Tyres are in range where we invest a pretty much amount.

In the month of 6,7,8,9 this time JK TYRE almost moving up because we know that during summer season and after summer season the demand of the tyre increase so you can see this zone when the demand is more. During 11, 12,1,2,3 this month demand is less because climatic conditions are friendly to Tyres then less demand. **(Follow the chart)

I am with Jktyre rest of you can decide where to invest & I hope you like my analysis.

Thanks

Ganesh

16/02/17