ANNUAL REPORT 2011-2012

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Dear Fellow Shareholders,

The year gone by was indeed full of challenges. Estimated GDP growth rate at merely 6.5% was considerably lower than the previous year. Depreciation of rupee in the second half of the year led to costlier imports and higher domestic input costs. This impacted profitability.

The slowdown in the economic activity had a direct impact on the automotive sector. While Truck/Bus segment registered a growth of 7%, high interest rates and high fuel cost affected Car sales, which recorded growth of meagre 2.7% after several years of sustained high growth (in 2010-11 it was 25%).

The long term outlook for domestic tyre industry is positive in line with the automotive sector growth story of India. Car penetration in India is at 11 cars per thousand people as compared to China – 27, Japan – 320, USA – 450, Germany – 501, etc. Increasing demand for cars and transportation in general along with better connectivity certainly reflects high growth potential for this sector in the coming years.

At JK Tyre, several expansion projects were completed during the year. The new Green Site Plant at Chennai went on stream towards end of the year. The coming year shall have the benefit of volumes from this unit.

I take this opportunity to acknowledge whole-hearted support of all stakeholders and our committed team at JK Tyre in our growth process.

With your continued support, dear shareholders, I am confident that JK Tyre will move from strength to strength in the times ahead.

Best wishes,

Hari Shankar Singhania
Chairman

Dear Shareholders,

The Automobile industry grew at a slower pace during the year on back of a slowdown in the economy. The tyre demand was consequentially impacted.

It is gratifying that your Company achieved 17% growth in turnover at ₹ 6,152 Crores. The total turnover including that of JK Tornel, Mexico was ₹ 7,465 Crores. JK Tyre continued to relentlessly grow its exports from both India and Mexico recording an increase of 35% over the previous year, touching ₹ 1,018 Crores.

JK Tyre maintained its leadership position as India's No. 1 manufacturer of Truck/Bus radial tyres. This position has been further strengthened with the commissioning of its expansion at Mysore plant as also the starting of new all radial plant at Chennai.

JK Tyre is committed to invest in technology and R&D to develop newer products delivering high performance. This coupled with aggressive marketing initiatives will enable the Company to face competition and maintain its leadership.

I look forward to an exciting year ahead and your continued support in all our endeavours.

Best Wishes,

Raghupati Singhania
Vice Chairman & Managing Director

BOARD OF DIRECTORS

Hari Shankar Singhania
Chairman

Dr. Raghupati Singhania
Vice Chairman & Managing Director

Bharat Hari Singhania
Managing Director

Arvind Singh Mewar

Bakul Jain

Kalpataru Tripathy

Om Prakash Khaitan

Vimal Bhandari

Vikrampati Singhania
Dy. Managing Director

Swaroop Chand Sethi
Whole-time Director

Arun K. Bajoria
President & Director

AUDITORS

Lodha & Co.
Chartered Accountants

BANKERS

Bank of India
Corporation Bank
IDBI Bank Ltd.
Indian Bank
Punjab National Bank
State Bank of Bikaner & Jaipur
State Bank of India
State Bank of Mysore
Syndicate Bank
The Federal Bank Ltd.
UCO Bank

PLANTS

Jaykaygram, Kankroli, Rajasthan
Banmore, Madhya Pradesh
Mysore Plant I, Karnataka
Mysore Plant II, Karnataka
Mysore Plant III, Karnataka
Chennai Plant, Tamil Nadu

REGISTERED OFFICE

7, Council House Street,
Kolkata - 700 001

ADMINISTRATIVE OFFICE

3, Bahadur Shah Zafar Marg,
New Delhi - 110 002

VICE PRESIDENT (LEGAL) &
COMPANY SECRETARY

Pawan Kumar Rustagi

Visit us at www.jktyre.com

DIRECTOR'S REPORT

TO THE MEMBERS

The Directors have pleasure in presenting the Annual Report and Audited Accounts of the Company for the year ended 31st March 2012.

OPERATIONS

Turnover for the year under review was at all time high of ₹ 6,152 Crores recording an increase of 17% over the previous year. Operating Profit for the year was ₹ 283 Crores and Profit Before Tax was ₹ 13 Crores.

The Company along with its wholly owned subsidiary JK Tornel achieved a turnover of ₹ 7,456 Crores during the year.

The year began on a promising note with robust sale of automotives across various segments. Economy was expected to grow at 9%. However, in order to contain inflation, monetary policy was tightened, during the year, resulting in steep increase in interest rates. The automotive sector was adversely affected and passenger car segment grew by merely 2.7%. Consequently demand for tyres slowed down.

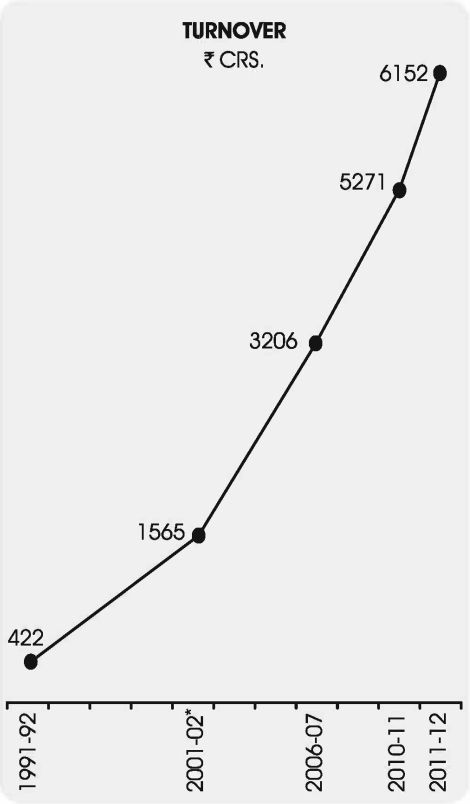
During the year, operations were disrupted at Mysore Plant II and Banmore Plant for 45 days and 60 days respectively, pursuant to go slow resorted to by a section of workmen at these locations. This illegal partial stoppage of work resulted in loss of production and profit to the Company.

Second half of the year witnessed severe volatility in foreign exchange rate movement, thus substantially impacting the cost of imported raw materials. All round cost push on the one hand and slow down in the automotive sales on the other, affected profitability.

The Company continued its relentless drive towards improving operating parameters, cost cutting, enrichment of product mix and enlarging market network. This helped contain the impact of these factors to some extent.

DIVIDEND

Your Directors are pleased to recommend dividend of ₹ 2.50 per Equity Share of ₹ 10 each (25%) on the Equity Share Capital of ₹41.06 Crores. The Dividend outgo will be ₹11.93 Crores (inclusive of dividend tax of ₹ 1.67 Crores).



*Annualised

APPROPRIATIONS

The amount available for appropriation, including surplus from previous year and debenture redemption reserve no longer required is ₹ 60.45 Crores. The Directors propose this to be appropriated as under:

	(₹ Crores)
General Reserve	10.00
Dividend	10.26
Corporate Dividend Tax	1.67
Surplus carried to Balance Sheet	38.52
	60.45

EXPANSION PROJECTS

Several expansion projects launched in the earlier years went on stream during the year:

Truck Radials

Expansion at Mysore for further enhancing the capacity to 10 lac tyres p.a. was completed.

Chennai Project

The new green site all radial plant at Chennai went on stream towards the end of the year. This facility with a capacity of 25 lac Car radials p.a. and 2 lac Truck/ Bus radials p.a., will strengthen our market presence significantly in the year ahead. The coming financial year shall have the benefit of enhanced production from this Plant.

Another expansion of Chennai Tyre Plant by 2 lac Truck/Bus radials p.a. has been undertaken, which is expected to go on stream during the current year.

With the completion of the above projects, the turnover of the Company is expected to increase significantly in the current year, cementing JK Tyre's leadership in Radials.

Plans have been drawn for further enhancing capacity of Chennai Tyre Plant, both for Passenger Car Radial & Truck Radial tyres.

JK TYRE – MOVING AHEAD

Inspite of difficult and challenging year for the Tyre Industry, JK Tyre continued to march ahead driven by continued zest for growth;

- Turnover from Indian Operations at ₹ 6,152 Crores grew by 17% and consolidated Turnover including JK Tornel, Mexico at ₹ 7,456 Crores - up 16% .
- Total exports from India and Mexico crossed ₹ 1,000 Crores, an increase of 35% over previous year.
- JK Tyre maintained its leadership position as India's No.1 in Truck and Bus Radial tyre manufacturer. 27% of Company's production in Truck/Bus tyre category is already radialised. This position will be further strengthened with the commissioning of its new capacities at Mysore and at the new all radials Chennai plant.
- A number of new size of Ultra Large OTR tyres were introduced, for various dumpers and loaders. Their performance have been applauded by the users.
- Once again "JK Tyre" has been selected as a "Super Brand" and continues to be India's first and only Tyre Super Brand.
- JK Tyre partnered in the first ever Formula 1 championship held in India. It has acquired the rights of renowned world series 'Formula BMW Pacific'

Board of Directors: Sitting (L to R) Bharat Hari Singhania, Om Prakash Khaitan, Hari Shankar Singhania - Chairman, Dr. Raghupati Singhania, Arvind Singh Mewar, Bakul Jain
Standing (L to R) Swaroop Chand Sethi, Vimal Bhandari, Kalpataru Tripathy, Arun K. Bajoria, Vikrampati Singhania

which is now known as "JK Racing Asia Series" with the participating cars racing on specially made 'JK Tyres'. The race was run along with the First ever Formula 1 championship held in India.

TRUCK/BUS RADIALISATION

It is indeed heartening to note that radialization of truck/bus segment is now catching up fast with current radialization being at 19%, which is expected to increase significantly to 35% in the next couple of years.

Your Company envisioned this much earlier, built capacities and continues to be the 'Truck/Bus Radials' leader in India. Already 27% of the Truck/Bus tyre production at JK Tyres is that of Radials.

JK TREAD

Doubling of capacity of retread material was completed during the year, as planned. The Company markets its retreading services under the brand 'JK Tread'. The network of franchises has been expanded across the country, which offer end-to-end solutions to customers for retreading, both Bias as well as Radial truck/bus tyres.

EXPORTS

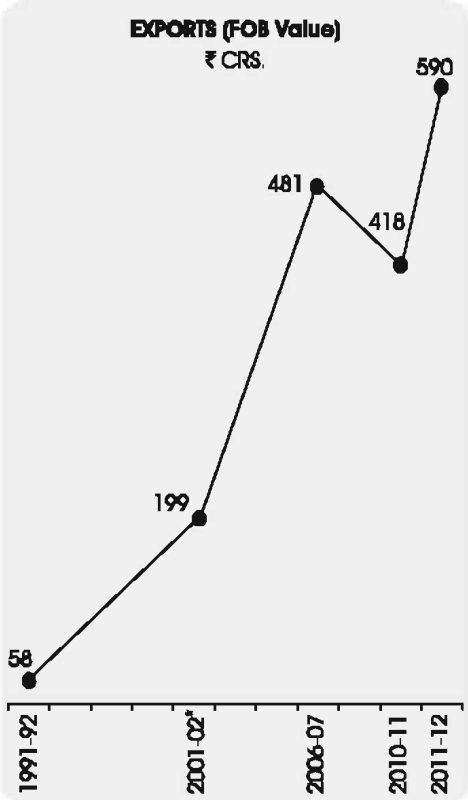
Your Company exports its products to over 80 countries across the six continents, offering its wide range of products. During the year, your Company's export registered an increase of 41% with exports at ₹ 590 Crores.

In addition to exports from India, it also exports tyres from JK Tornel, which amounted to ₹ 428 Crores, thus the total exports were at ₹ 1,018 Crores.

JK TORNEL

JK Tornel, Mexico, recorded a Sales of 3447 Mn Pesos (₹ 1,304 Crores) a growth of 13% over previous year. JK Tornel continues to improve its operations in several areas. There was significant increase in the production of Passenger Car Radials. Plans have been drawn to expand Passenger Car Radials capacity to meet the growing demand in this segment.

JK Tornel has entered for the first time in the highly competitive and prestigious Passenger Car Radial OE segment for supply of tyres to Chrysler and Nissan after a rigorous OEM approval procedure.



*Annualised

Slow recovery in the American markets as well as increased costs & foreign exchange rate volatility faced during the year was a challenge for JK Tornel.

JK Tornel enhanced its exports to North and South American markets. It also exports tyres in "JK TYRE" brand in addition to its range of "TORNEL" branded tyres.

R&D AND TECHNOLOGY

Technology and R&D has been the key driving force at JK Tyre. Your Company's vision to deliver world class products to the changing needs of the customer has enabled team JK Tyre to continuously deliver newer and newer innovative products.

Your Company's technology leadership is derived from its in-house R&D Centres, multidisciplinary collaborative research work with premier institutions of R&D including HASETRI and raw material suppliers in the field of highly complex materials, predictive technology, tyre characteristics, testing and other allied areas.

Various projects have been initiated for reduction of cycle time in all operations, optimization of components in the tyres and standardization of materials and

processes. New technological approaches and computing capabilities using mathematical methods to simulate the tyre behaviour in traction, breaking and cornering have been developed.

JK Tyre is also continuously improving productivity and quality in manufacturing processes like mixing, extrusion, calendaring, building and curing. Furthermore, innovative initiatives are being taken for substituting materials as well as using eco friendly raw material in manufacturing.

VALUE ADDED SERVICES TO CUSTOMERS

JK Tyre continues to drive the Radial Revolution in India. Providing value to customers has always been JK Tyre's forte and towards this end, your Company has made significant investments. The Company serves its customers through "JK Truck Radial Tyre Care Centres" located along major National Highways in the country – which operate 365 days/24 hours, for repair & service of tyres. The Company also runs a unique Fleet Management Program which has enabled major fleets to optimise operating costs through tyre care provided by dedicated JK Tyre service teams.

Taking these initiatives further, JK Tyre has launched "TRUCK WHEELS" a new concept for providing "Total Tyre Solutions" for Truck/Bus tyres. Several such centres have been established, which enable truckers to avail of services like repair, retread, wheel alignment & balancing and other allied services like nitrogen air care which enhances tyre life.

Your Company has been operating several one-stop passenger radial retail and tyre care outlets "JK Tyre Steel Wheels" across the country for last several years. These 130 outlets provide to the customers, value added services like computerized wheel alignment, balancing and automated tyre changing, air care etc., in addition to offering wide range of JK Tyre, under one roof.

MOTORSPORTS

The year 2011 was a remarkable one for Indian Motorsport and for JK Tyre, in particular. The highest echelon of motorsport–Formula 1 was successfully hosted in India. It was a proud moment for your Company to be a part of the biggest motorsport extravaganza and to join the most coveted club of top brands of the world.

During the year, the Company acquired the Formula BMW Series and rechristened it as the JK Racing Asia Series (JKRAS). With this acquisition, JK Tyre created history in Indian Motorsport by becoming the first Indian company to acquire an FIA accredited series.

At the 2011 inaugural season, the JKRAS was a support race at the Formula One Grand Prix in Malaysia, Singapore and India, providing exposure to the young racing talents to prove their mettle in front of motorsports fraternity.

These races had a very large viewership across the globe, providing JK Tyre an excellent platform for

JK Tyre Plant, Banmore, Madhya Pradesh