

A N N U A L R E P O R T 2 0 0 6 - 2 0 0 7

NO. 1 IN  
TRUCK & BUS  
RADIAL



**JK TYRE**  
& INDUSTRIES LTD.





Dear Fellow Shareholders,

Indian economy, with its growing domestic market, rising income and aspirations of people, is on a high growth trajectory. Tyre industry's growth, the world over, is largely influenced by the growth in the automotive sector. The world's automotive sector growth will essentially come from emerging markets which will play an increasing role in tyre industry's growth.

The automotive sector- a major growth driver of Indian economy is expected to do well especially with the Government's policy thrust on infrastructure development, road connectivity and port development. Given these factors, the pace of radialisation is expected to accelerate significantly. This offers major growth opportunities in both Passenger as well as Commercial radial tyres segment.

Further, India is emerging as a manufacturing and outsourcing hub for small cars. The unveiling of mini Car NANO- an extraordinary feat by Tata's will indeed revolutionize not only the Indian but also the global car industry. The low price offered, will make the new car affordable to a very large section of Indian population. This will throw open large opportunities for the Indian tyre industry.

JK Tyre has taken a series of proactive initiatives such as substantially expanding capacity in both Passenger as well as Truck radial tyres, introducing a wide range of products to meet diverse requirements of customers and improving service delivery. The company has also been successful in facing the challenges of competition through aggressive cost reduction, improved internal operational efficiencies and product mix enrichment.

It is heartening that the Company has crossed an important milestone by achieving sales and other income in excess of Rs. 3,200 crore! The exports have crossed Rs. 480 Crore with company's tyres being exported to nearly 75 countries across the six continents. JK Tyre has arrangements with tyre companies in different countries for outsourcing tyres for export markets. Encouraged by the customer satisfaction and increasing demand for JK Tyre's high quality products, the company is seriously exploring acquisition opportunities for strengthening its global footprint.

JK Tyre as a responsible corporate citizen has taken many initiatives for the care of society and environment at large. Facilities for education, healthcare, rural uplift and development are being strengthened and upgraded for the benefit of people particularly in and around factories and establishments of the Company.

Best Wishes

**Hari Shankar Singhania**



## BOARD OF DIRECTORS

Hari Shankar Singhania  
CHAIRMAN

Raghupati Singhania  
VICE CHAIRMAN & MANAGING DIRECTOR

Arvind Singh Mewar

Bakul Jain

Govind Ballabh Pande

Om Prakash Khaitan

Sobha Nambisan, IAS

Dr. Vinayshil Gautam

Bharat Hari Singhania  
MANAGING DIRECTOR

Vikrampati Singhania  
DY. MANAGING DIRECTOR

Swaroop Chand Sethi  
WHOLE-TIME DIRECTOR

## AUDITORS

Lodha & Co,  
Chartered Accountants

## BANKERS

Bank of India  
Corporation Bank  
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

## REGISTERED OFFICE

7, Council House Street,  
Kolkata 700 001.

## ADMINISTRATIVE OFFICE

3, Bahadurshah Zafar Marg,  
New Delhi 110 002.

VICE PRESIDENT (CORP. LAWS) & COMPANY SECRETARY  
PK Rustagi



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Dear Shareholders,

The year 2006-07 has indeed been one with several landmarks. Turnover exceeded Rs.3,200 crore and profit before tax crossed Rs.100 crores. Profits were higher despite increasing competition both from domestic players as well as from surge in cheaper imports.

India is witnessing an automobile revolution which will be further accelerated by the introduction of low priced car NANO an extraordinary innovative achievement indeed.

This surge along with renewed emphasis on investments in infrastructure, including highways, promises healthy growth for the Indian Tyre Industry. In cognizance of this emerging demand, JK Tyre has undertaken various expansion projects for Truck/Bus Radials, OTRs and Speciality Tyres at a total outlay of Rs. 480 crores.

The pioneering effort of introducing all steel Truck / Bus radial tyres in India, years back, is yielding rich dividend in terms of increased demand for JK Truck Radials. Improvement in road infrastructure coupled with proven benefits of radialisation is accelerating the process - in Trucks & Buses the current level of radialisation at around 5% is expected to reach 15% or more by 2012. To meet this growing demand, the company is more than doubling its Truck / Bus radial tyres capacity from 3.67 lacs tyres to 8.00 lacs tyres per annum at an estimated cost of Rs. 315 crores. This will enable JK Tyre to maintain its No. 1 status in Truck / Bus Radial segment in India.

At JK Tyre we have been anticipating and understanding customer requirements through various touch points viz CRM Programme, Fleet Management, Driver Training Programmes, Customer Interaction Programmes and customer plant visits. These learnings have helped us ensure better customer satisfaction by meeting their expectations.

Over the years, the company has built a committed pool of talented people with technological capability and market prowess, backed by world class manufacturing facilities. Continuously enhancing the skill sets of employees, across all levels, receives our special attention, with significant investments being made in training and retraining of our manpower.

Backed by our R&D Centre HASETRI, and other initiatives, to keep ourselves ahead of competition in technology, JK Tyre has been introducing world class products in both domestic as well as international markets. In highly demanding markets like North America and Australia "JK Tyre" brand enjoys a premium status. To further strengthen our presence in global markets we are evaluating opportunities for acquiring production facilities overseas.

The various growth initiatives taken by JK Tyre will add significantly to the sales and profits in the years ahead.

I look forward to your continuous support in our growth journey.

Best Wishes

**Raghubati Singhania**





## DIRECTORS' REPORT

### TO THE MEMBERS

The Directors have pleasure in presenting the Annual Report and Audited Accounts of the Company for the year ended 30th September, 2007.

The turnover during the year under review was at an all-time high of Rs. 3206 crores as against Rs. 2970 crores in the previous year. The operating Profit for the year at Rs. 265 crores registered an increase of 57% over the previous year, and after providing for cost of borrowings and depreciation, the Profit Before Tax was Rs. 101 crores, an all-time high registering an increase of 362%. Profit After Tax for the year was Rs. 67 crores.

The Company has achieved this improved performance due to all-round improvement in operations, drive on cost compression, plant efficiencies, stable input prices and better sales realisation.

### APPROPRIATIONS

The amount available for appropriation, including surplus from previous year and



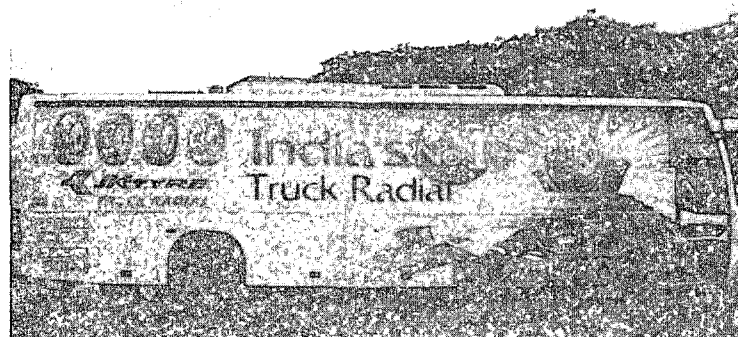
Dr. Raghupati Singhania at the International Rubber Conference with his excellency Governor of Rajasthan Shri S K Singh and Dr. K Kasturirangan

debenture redemption reserve no longer required is Rs. 99.86 crores. The Directors propose this to be appropriated as under :-

	Rs. Crores
Debenture Redemption Reserve	5.02
General Reserve	60.00
Dividend	8.32
Corporate Dividend Tax	1.41
Surplus carried to Balance Sheet	25.11

### MOVING UP THE TECHNOLOGY LADDER

Several high performance tyres both in the Commercial Vehicle as well as the Passenger Car Radial segment were launched. A new tyre, offering high mileage, "JET ONE" introduced during the year is already enjoying a premier position in the truck and bus segment. Apart from this, several



Outdoor campaign on buses

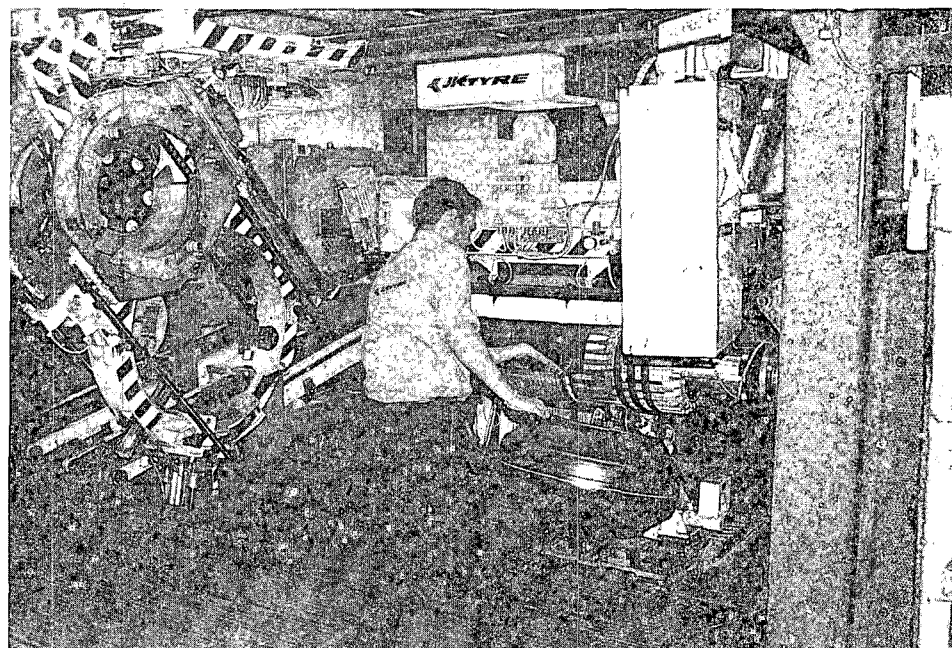




new tyres introduced both in the HCV as well as LCV range have received encouraging consumer response.

New Semi-Lug and Rib pattern Truck Radial tyres launched during the year are performing extremely well in their respective segments.

In the Radial Passenger Car tyre category, high performing "V-Rated" ZEPHYR, capable of speeds upto 240 Kms / hour, was introduced - a first of its kind.



Unistage tyre building machine - Passenger Car Radial

The latest generation "VECTRA" tyre in a range of sizes has received customer preference in the market place. Ultra high performance "Z-Rated" tyres in speed rating of 300 Kms / hour or more, were launched especially for Formula racing cars -

Manufacturers (OEMs) for new Generation world cars such as Maruti-Suzuki's SX4 - ZXI, Swift, Mahindra - Renault's Logan and M&M's Scorpio for their export models.

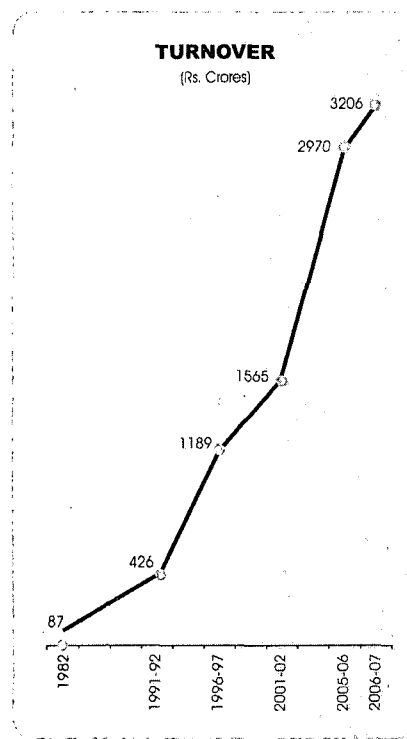
## EXPANSIONS

The pace of radialisation in the commercial tyre segment in India has accelerated. The Company is seizing this opportunity and has taken on hand a project for more than doubling the capacity of its Truck/Bus Radial Plant to 8.00 lac tyres from 3.67 lac tyres per annum. This expansion estimated to cost Rs.315 crores will be completed by the end of calendar year 2008 and will further strengthen JK Tyre's commanding position in the Truck/Bus Radial segment.

During the year, JK Tyre also diversified into Special Application Tyres and commenced their exports. A project to scale up the manufacturing capacity of these tyres has been taken up. This niche tyre

yet another first in India. These tyres shall be introduced for passenger cars in the coming years.

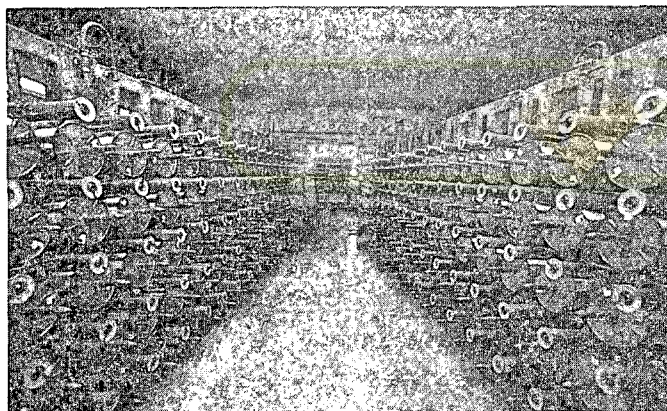
It is a matter of great satisfaction that JK Tyre is the exclusive supplier to certain Original Equipment





segment will also boost our exports to Central and South America, Europe and Australia.

With renewed emphasis being given in the country on infrastructure development, we foresee growing demand for Off The Road (OTR) tyres. We have entered into an arrangement with BEML for supply of OTR tyres on a long term basis. Accordingly, the Company has undertaken a project for substantial expansion of its OTR tyre capacity at a capital outlay of Rs. 120 crores. This project will also be completed by end of the calendar year 2008 and will add significantly to the turnover and profitability in the years ahead.



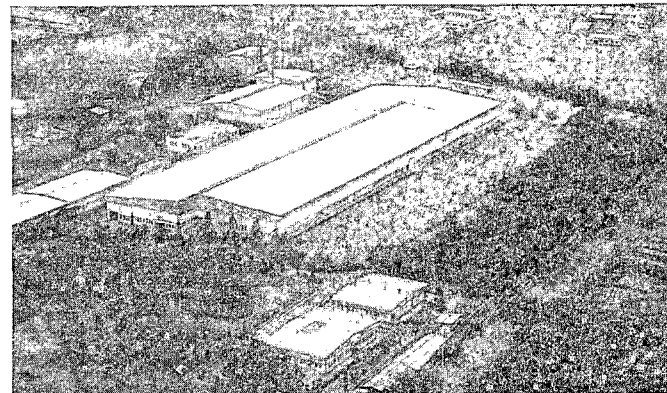
Steel Cord Creel Room

With a view to contain the ever increasing energy costs, the Company is undertaking several energy saving projects which will result in considerable savings in energy costs across its plants.

All these expansion projects are estimated to cost Rs.480 crores and the Company has already tied up the financing needs for the same.

## DIVIDENDS

Your Directors are pleased to recommend dividend of 27% (Rs.2.70 per Equity Share) on the



Truck Radial tyre plant

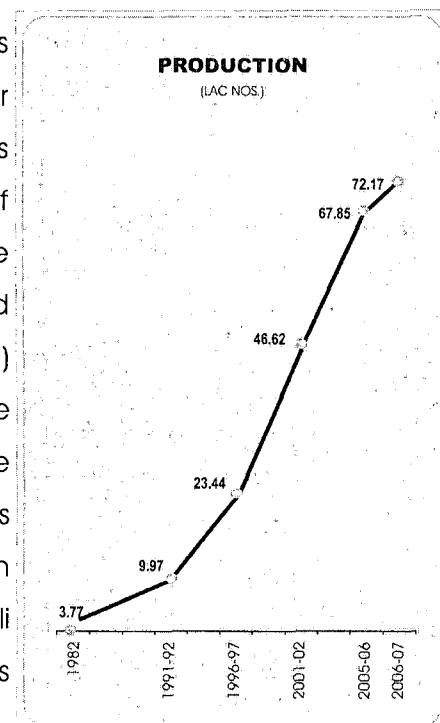
Equity Share Capital of Rs 30.79 crores. The dividend outgo will be Rs.9.73 crores (inclusive of dividend tax of Rs.1.41 crores) as against Rs. 8.78 crores in the previous year.

## RIGHTS ISSUE

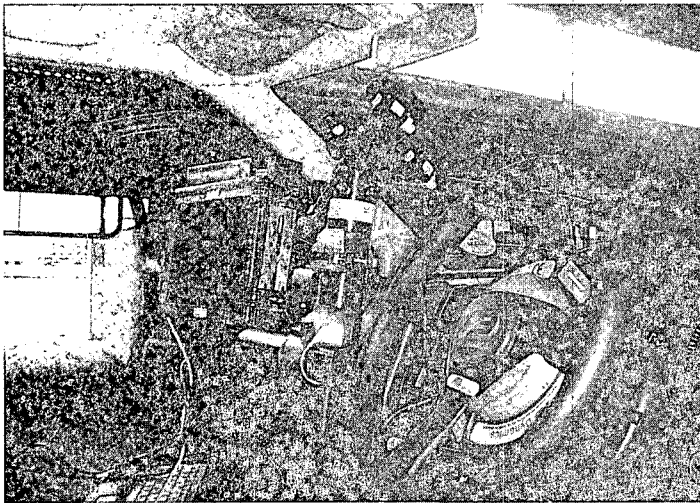
The Board has already approved issue of Rights Shares in the proportion of 1 Equity Share for every 3 Equity Shares held by the shareholders. Necessary steps for the same are well under way.

## CONSERVATION OF ENERGY ETC.

The details as required under the Companies (Disclosure of Particulars in the Report of Board of Directors) rules, 1988 are annexed. The Board records its appreciation that your Kankroli Tyre Plant has







Steering robot being used for Hi-tech product testing

been awarded CII GBC Excellence Energy Efficient Plant Award - the Green Tech Environmental Award (Gold Category).

### DIRECTORS

Shri Arvind Singh Mewar, Shri Bakul Jain and Shri O.P. Khaitan retire by rotation and being eligible offer themselves for re-appointment at the forthcoming Annual General Meeting.

During the year, Shri Arvind Narottam Lalbhai resigned from the Board of Directors of the Company due to his advanced age and health reasons. The Directors place on record their deep sense of appreciation and thanks for very valuable services and advice rendered by Shri Lalbhai during his long tenure of over 30 years as a Member of the Board. The Board records its deepest regret on his demise recently.

### SUBSIDIARY COMPANIES

The particulars required under the provisions of the Companies Act, 1956 in respect of the subsidiary companies are appended.

### AUDITORS

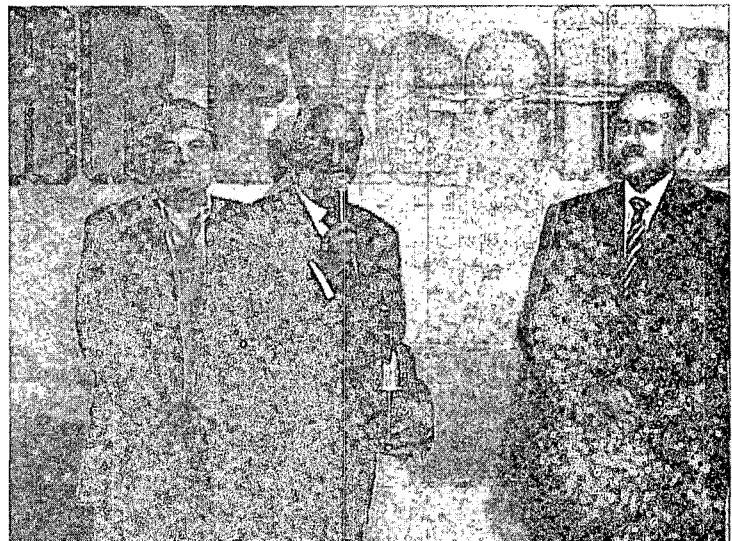
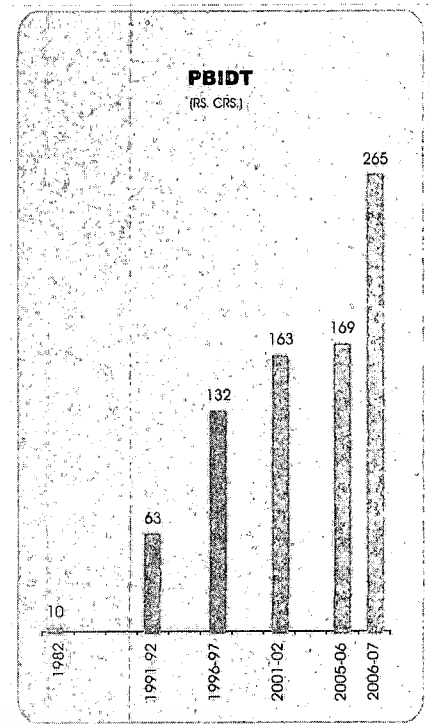
M/s Lodha & Co., Chartered Accountants, Auditors of the Company, retire and are eligible for re-appointment.

The observations of the Auditors in their report on Accounts read with the relevant

notes are self-explanatory.

### COST AUDIT

The Audit of the Cost Accounts of the Company for the year ended 30th September, 2007 has been conducted by the Cost Auditor and the Cost Audit Report will be submitted to the Ministry of Corporate Affairs, Government of India.



Dr R P Singhania at the Asia Pacific HR Congress receiving 'CEO of the year' HR Orientation Award from Minister of Civil Aviation Mr. Pratul Patel





## PARTICULARS OF EMPLOYEES

Information in accordance with the provisions of Section 217 (2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975 as amended regarding employees is annexed to this Report.

However, as per the provisions of Section 219(1)(b)(iv) of the Companies Act, 1956 the Report and Accounts are being sent to all shareholders of the

Company excluding the aforesaid information.

Any shareholder interested in obtaining such particulars may write to the Secretary at the Company's New Delhi address.

## CORPORATE GOVERNANCE

Your Company reaffirms its commitment to the good corporate governance practices. Pursuant to Clause 49 of the Listing Agreement with the Stock Exchanges, a Management Discussion and Analysis, Corporate Governance Report and Auditors Certificate regarding compliance of

conditions of Corporate Governance are made a part of this Annual Report.

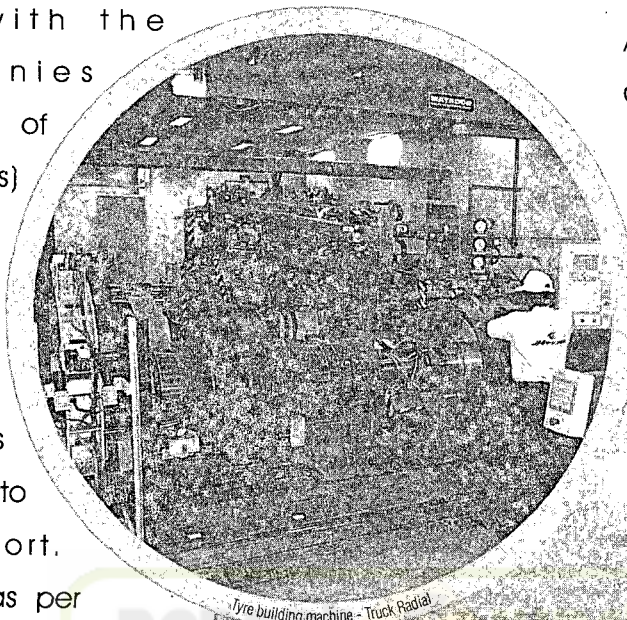
## DIRECTORS RESPONSIBILITY STATEMENT

As required under Section 217 (2AA) of the Companies Act, 1956 your Directors state that :-

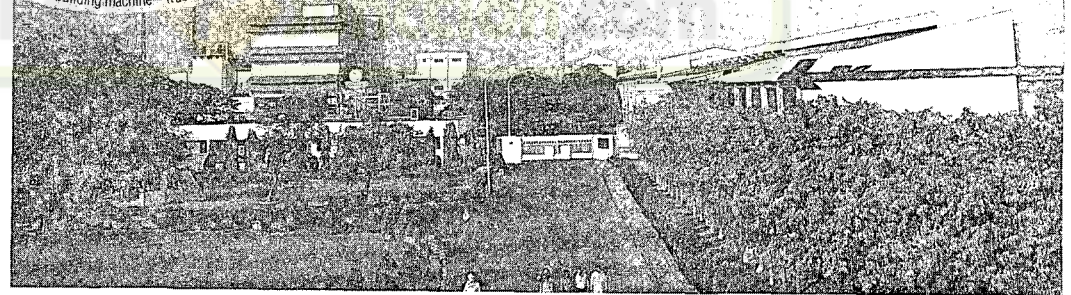
(i) in the preparation of Annual Accounts, the applicable accounting standards have been followed along with proper explanation relating to material departures;

(ii) the accounting policies selected and applied are consistent and judgements and estimates made are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit or loss of the Company for that period;

(iii) proper and sufficient care has been taken for maintenance of adequate accounting records in accordance with the provisions of the said Act for safeguarding the assets of the Company and for preventing and detecting



Tyre building machine - Truck Radial



Banmore tyre plant