

Driving beyond boundaries...



ANNUAL REPORT 2007-09

JK TYRE
& INDUSTRIES LTD.



Dear Fellow Shareholders,

The global financial crunch leading to the economic slowdown cast its shadow on the automobile industry and consequently on the global and domestic tyre industry. Tyre being a derived demand suffered significant setback vis-a-vis its performance in the previous year.

The stimulus measures taken by the Government helped our economy weather the storm better than many. Our financial markets showed resilience. However, the impact of the crisis led to slowdown in GDP and industrial growth. The automobile industry was one of the worst hit as it witnessed curtailed demand for tyres. Furthermore, during July-December 2008, the domestic tyre industry was severely affected by cost push of petro-based raw materials and other inputs arising from sharp hike in global crude oil prices.

In spite of all the hardships, JK Tyre held its ground. New strategies on cost as well as customer service were adopted to meet the unprecedented business challenges of demand slowdown and increase in input costs. To give an example, the company has recently launched 'Customer First 24x7' as the guiding spirit in marketing.

Last year saw the company's production tread across the national boundaries with its very first global acquisition – 'Compania Hulera Tornel' of Mexico. This is a major landmark for the Company that opened its first manufacturing plant in 1977 at Kankroli. With this international acquisition we now have 7 tyre plants with a combined turnover of over US \$ 1 billion.

The year witnessed completion of Truck/Bus radial tyre plant expansion to double the capacity, the benefits of which would be realized in the years to come. The Company also gained the highest share in the Indian OTR segment.

All these achievements have been a result of unflinching dedication on giving our customers the very best of products and services. Apart from innovative marketing initiatives, our emphasis on research and development and urge to introduce new technologies have helped stay ahead of competition.

The Company as a Socially Responsible Corporation has been taking various initiatives for the welfare of the society at large. Facilities for education, healthcare, rural upliftment and development particularly in and around the establishments of the Company have had profound impact in raising income and prosperity of people around our establishments.

JK Tyre has been fortunate to have had the full hearted support of all its stakeholders – wholesale and retail traders, suppliers of various inputs, financial institutions and banks and last but not the least its staff and workers. With your continued support, I am sure the Company will achieve more milestones in its march towards becoming one of India's most admired companies.

Best wishes,

A handwritten signature in black ink, appearing to read 'Hari Shankar Singhania'.

Hari Shankar Singhania
Chairman

BOARD OF DIRECTORS

Hari Shankar Singhania
Chairman

Dr. Raghupati Singhania
Vice Chairman & Managing Director

Arvind Singh Mewar

Bakul Jain

Govind Ballabh Pande

N.C. Muniyappa, IAS

Om Prakash Khaitan

Dr. T.K. Mukhopadhyay

Bharat Hari Singhania
Managing Director

Vikrampati Singhania
Dy. Managing Director

Swaroop Chand Sethi
Whole-time Director

Report Junction.com

AUDITORS

Lodha & Co.
Chartered Accountants

PLANTS

Jaykaygram, Kankroli, Rajasthan
Banmore, Madhya Pradesh
Mysore Plant I, Karnataka
Mysore Plant II, Karnataka

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

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

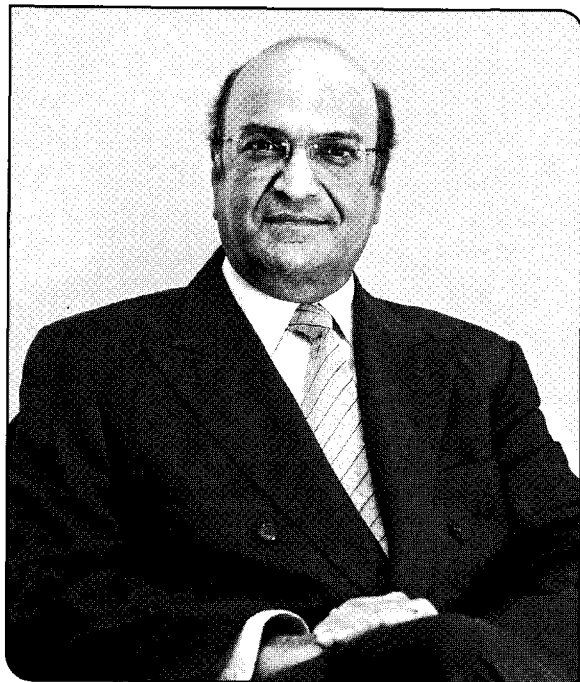
P K Rustagi

Visit us at www.jktyre.com



C O N T E N T S

Vice Chairman & Managing Director's Message	1
Directors' Report	2-8
Annexure to Directors' Report	10-12
Management Discussion & Analysis	14-22
Social Responsibility & Community Service	23-26
Corporate Governance Report	27-33
Auditors' Report	34-35
Balance Sheet and Profit & Loss Account	36-69



Dear Shareholders,

The global financial crisis and consequent slowdown significantly affected the Indian economy – a great challenge indeed for the business.

The domestic tyre industry had to cut production in face of lower demand for tyres, both in OEM as well as Replacement markets. The government provided external stimulus including 6% excise duty cut for vehicles and tyres, which somewhat helped regenerate demand. Positive signs are visible in the Indian economy, and the tyre industry which grew by 4% in terms of production tonnage in the year '08-09, is showing indications of revival in demand.

Your Company continued to maintain its leadership in the Indian tyre industry. Enrichment of product mix, expanding of our distribution network and closer networking with our channel partners helped us achieve

higher sales with improved market shares, despite slowdown in the domestic as well as global markets.

This year, we expanded beyond national boundaries as also completed major expansion projects in India. We made our very first International acquisition by taking over 100% equity shares and management of Tornel. With enhanced capacity of our truck / bus radial plant from 3.67 lac to 8.00 lac tyres per annum at an estimated cost of Rs. 315 crores and Tornel becoming an integral part of JK Tyre, our leadership position in four wheeler tyre segment is further strengthened.

To further strengthen its position in the OTR segment, the Company has undertaken an expansion of manufacturing capacity for Ultra-Large OTR tyres in a new state-of-the-art facility at Mysore. This project will increase our tonnage capacity of OTR tyres by almost 100%, and is expected to be completed by March 2010.

JK Tyre is committed to discovering new avenues of growth. Our advanced R&D support, continued pursuit of newer technologies and innovative marketing initiatives would enable the Company to face the growing global and domestic competition.

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

Best wishes,

Raghupati Singhania
Vice Chairman & Managing Director

DIRECTORS' REPORT

TO THE MEMBERS

The Directors have pleasure in presenting the Annual Report and Audited Accounts of the Company for the eighteen months period ended 31st March, 2009.

The financial year of the Company was extended by six months thus covering eighteen months period ended 31st March, 2009. The turnover during the period was Rs.5510 Crores with Operating Profit of Rs.313 Crores. Profit Before Tax was Rs.42 Crores and Profit after Tax Rs.19 Crores.

The period under review was one with daunting challenges of acute global financial crunch followed by economic down-turn worldwide including India. The impact was severe on the Automobile Industry – both commercial and passenger, resulting in curtailed demand for tyres, more so, for the commercial tyres. Moreover, unprecedented hike in the oil prices led to sharp cost increases of petro-based raw materials and other inputs for the tyre industry.

The all round cost push on the one hand and economic slowdown on the other, affected profitability.

However, there has been significant improvement in the profitability of the Company in the current year on account of better operating efficiencies, higher productivity, all round cost reduction measures and richer product mix.

APPROPRIATIONS

The amount available for appropriation including surplus from previous year and debenture redemption reserve no longer required is Rs.57.52 Crores. The Directors propose this to be appropriated as under:

	(Rs. Crores)
Debenture Redemption Reserve	7.32
General Reserve	10.00
Dividend	11.09
Corporate Dividend Tax	1.88
Surplus Carried To Balance Sheet	27.23
	57.52

ACQUISITION OF TORNEL MEXICO

In a historic move, the Company made its first international acquisition by acquiring 100% equity shares and management of Compania Hulera Tornel- a well established tyre company in Mexico. Tornel has three tyre manufacturing plants in Mexico with a combined capacity of 6.6 million tyres per annum. The acquisition of Tornel will add considerable value to your Company. Tornel manufactures wide range Bias and Radial tyres – Truck, LCV, Farm and Industrial tyres in bias category and high performance and LCV tyres in radial category. This will give JK Tyre free access to the NAFTA Trade Block and emerging economies of the Central and Southern America.

JK Tyre has already been exporting tyres to these markets and will thus be able to strengthen its presence apart from leveraging strategic locational advantage. All-round initiatives have been undertaken to stream-line and improve Tornel's operations to optimize the use of resources and synergies offered by this acquisition. These initiatives have started yielding results.

JK Tyre now comprises 7 tyre plants with an aggregate capacity of 15.8 million tyres per annum with a



Tornel Head Quarter, Mexico

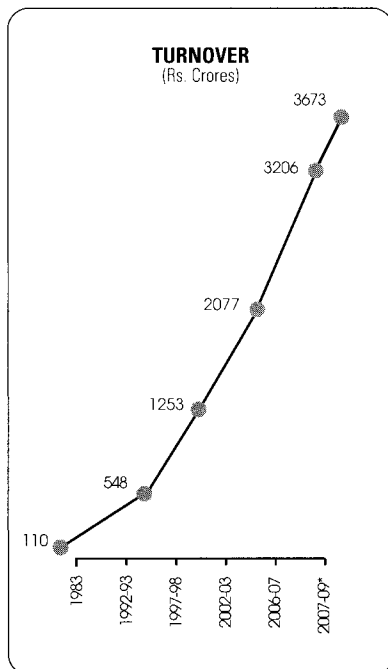


JK Tyre Plant, Kankroli, Rajasthan

combined tonnage of over 1000 MTs per day.

The journey started in 1977 with Company's first tyre manufacturing plant with an initial capacity of 0.5 million tyre in Kankroli, Rajasthan. Over these eventful years, JK Tyre acquired Vikrant Tyre in 1997, a Government of Karnataka undertaking which was subsequently amalgamated with JK Tyre. With the acquisition of Tornel, JK Tyre's combined turnover exceeds US \$ 1 billion, giving a boost to its national positioning as also strengthening JK Tyre's position in the international ranking.

It is a tribute to the Founder's vision of having achieved this leadership status in the Indian Tyre Industry with a global presence in 3 decades.



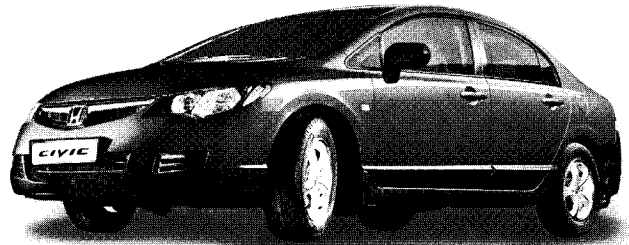
*Annualised

EXPANSION

Truck & Bus Radial Tyres

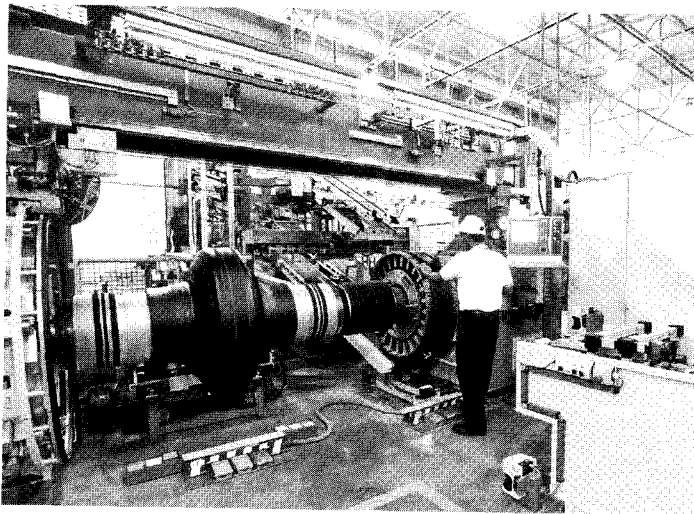
As you are aware, last year the Company undertook various expansion projects at an estimated outlay of Rs. 460 Crores.

Doubling of capacity of Truck/Bus Radial plant to 8.00 Lac tyres from 3.67 Lac tyres per annum at an



Across seven seas

Known to travel long distances, we recently travelled as far as Mexico. Marking the Company's first international acquisition, JK Tyre & Industries Limited has taken over 'Compania Hulera Tornel' of Mexico. With this acquisition, JK Tyre's turnover has exceeded the remarkable USD 1 billion mark. That's not all. The strategic location of Mexico offers us free access to the NAFTA trade block and emerging economies of Central and South America.



estimated project cost of Rs. 315 Crores, has been completed as per schedule. The benefit of expanded capacity will be available in the current year. This has further strengthened JK Tyre's commanding position in the fast growing Truck/Bus segment.

Off the Road Tyre (OTR)

JK Tyre has emerged as No.1 in OTR tyres with highest share in the Indian market. In order to further strengthen its leadership position, the Company has undertaken the expansion of its OTR capacity at an estimated cost of Rs.120 Crores, which is expected to be completed by early 2010.

The Company has entered into a long term supply arrangement with BEML Ltd, our prime OEM customer for these tyres. The Company has already delivered the first batch of ultra large size OTR tyres, ahead of the agreed schedule.

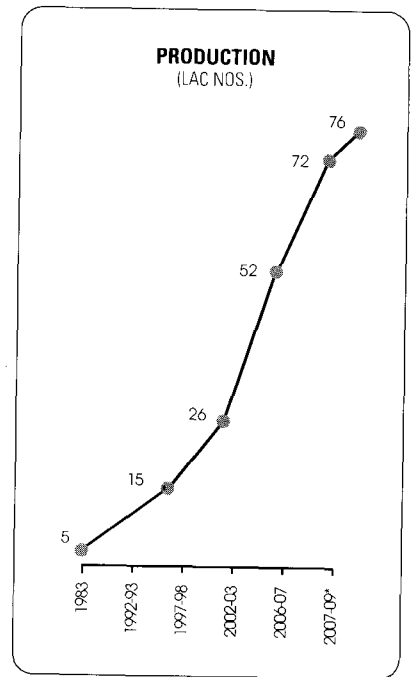
PARTNERING WITH CUSTOMERS

The Indian Automotive Industry is becoming increasingly globalised and is operating in highly dynamic environment with rising customer expectations. JK Tyre is proud to be associated with the leading automotive manufacturers of the country, and enjoys the privileged position of being major suppliers in most of the successful car launches in recent times like Swift, Logan, Swift Dzire, SX4, A star, Indigo XL and Scorpio.

JK Tyre has achieved this leadership status by keeping the customers expectations foremost in its initiatives. With this moto, the Company has recently launched 'Customers First 24 X 7' as the guiding spirit.

It is indeed a matter of pride that JK Tyre has yet again been ranked No.1 in the "JD Power Tyre Customer Satisfaction Index - 2009". Also once again JK Tyre has been recognized

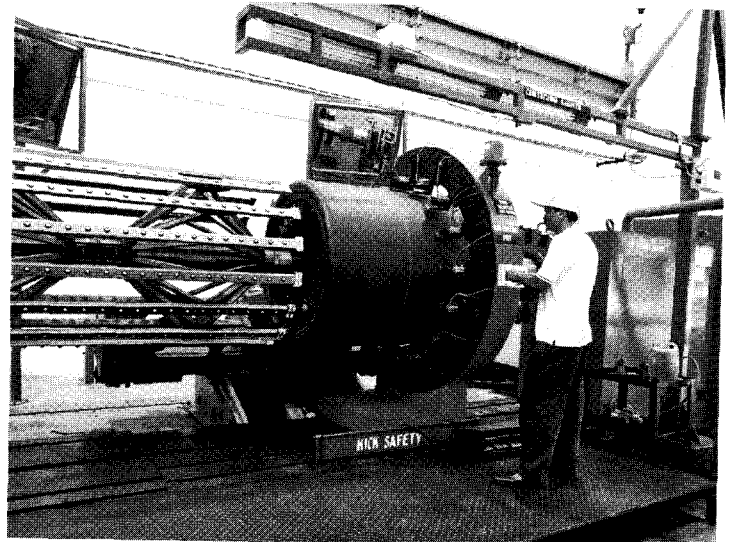
as "SUPERBRAND" - the only Tyre Company to have received this coveted recognition.



*Annualised

PIONEERING RADIAL TECHNOLOGY

JK Tyre pioneered radial technology in India and introduced passenger car radials, three decades back. It manufactures a wide range of High Performance Passenger Radial tyres for every type of car, SUV and MUV in India. JK Tyre enjoys nearly quarter of the market share in this segment.





Global expertise

Over the years, our global outlook and international collaborations have borne fruit by ensuring a constant flow of state-of-the-art, world-class technology to the Company. Our synergy partner, Continental AG, Germany—the 4th largest tyre company in the world—has been a significant contributor in this regard.

Your Company has been spearheading the radialisation of Truck / Bus tyres in India. The pace of radialisation in the commercial sector has recently accelerated. JK Tyre continues to be the market leader and produces more than 70% of the Truck/ Bus radials in the country.

JK Tyre has maintained its lead and sizeable presence in all the growth segments in the four-wheeler tyre category i.e. Truck Bus Radials, LCV Radials, Passenger Car Radials and OTR tyres for the infrastructure sector.

With 7 manufacturing locations including in Mexico, backed by a successful track record of meeting global standards in product design, development & performance, your Company is well poised to take advantage of the emerging opportunities and further consolidate its position as a credible supplier



Tornel Tyre Plant, Mexico

of best in class products in domestic as well as export markets.

RIGHTS ISSUE

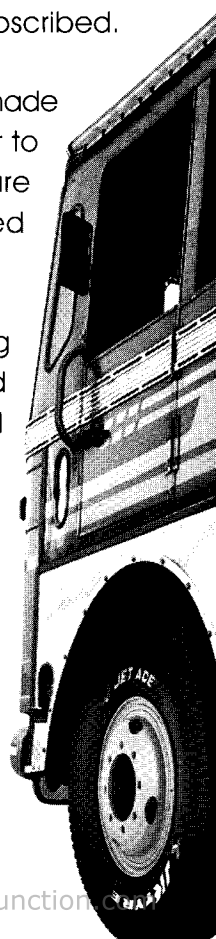
During the period under review, your Company has augmented its long term resources by issuing 1,02,64,836 Equity Shares of Rs.10 each at a premium of Rs.75 per Equity Share aggregating to Rs.87.25 Crores on rights basis in the ratio of one Equity Share for every three Equity Shares held on the Record Date i.e., July 14, 2008. The issue was oversubscribed.

The allotment of these Equity Shares was made on 20th September 2008. Consequent to the rights issue, the paid-up Equity Share Capital of the Company has increased from Rs.30.79 Crores to Rs.41.06 Crores.

The proceeds of the rights issue are being utilized as per objects of the issue and pending utilization, the funds are retained as working capital.

DIVIDEND

Your Directors are pleased to recommend a dividend of Rs. 2.70 per Equity Share of Rs. 10 each on the Equity Share Capital of Rs. 41.06 Crores. The Dividend outgo will be Rs. 12.97 Crores (inclusive of dividend tax of Rs. 1.88 Crores) as against Rs. 9.73 Crores in the previous year.





Dr. Raghupati Singhania inaugurates the Investor's Meet, 2008 along with Chief Minister of Madhya Pradesh, Shri Shivraj Singh Chauhan

CONSERVATION OF ENERGY ETC.

The details as required under Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 are annexed.

DIRECTORS

Shri G.B. Pande representing Life Insurance Corporation of India (LIC) and Shri Swaroop Chand Sethi retire by rotation and being eligible offer themselves for re-appointment at the Annual General Meeting.

The Board of Directors appointed Shri V. Madhu, IAS as an Additional Director pursuant to Section 260 of the Companies Act, 1956 with effect from 14th July 2008 representing Karnataka State Industrial Investment & Development Corporation Limited (KSIIDC) in place of Smt. Sobha Nambisan, IAS who ceased to be a Director w.e.f. the said date. In place of Shri V. Madhu, the Board of Directors has now appointed Shri N.C. Muniyappa, IAS as an Additional Director, with effect from 16th July 2009, representing KSIIDC. Shri Muniyappa would hold office upto the date of the ensuing Annual General Meeting. The Company has received a notice in writing from a member proposing candidature of Shri Muniyappa for the office of Director, liable to retire by rotation. The Board recommends the appointment.

IDBI Bank Limited nominated Dr.T.K. Mukhopadhyay on the Board of the Company in place of Dr. Vinayshil Gautam w.e.f. 8th September 2008.

The Board records its deep appreciation for the valuable services rendered by Smt. Sobha Nambisan, Dr. Vinayshil Gautam and Shri V. Madhu during their respective tenures of office.

SUBSIDIARY COMPANIES

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

The Statement pursuant to Section 212 of the Companies Act, 1956 containing the details of the Company's subsidiaries is attached.

In terms of the approval granted by the Central Government under Section 212 (8) of the Companies Act, 1956, copies of the Balance Sheet, Profit & Loss Account, Reports of the Board and the Auditors of all the Subsidiary Companies have not been attached to the Balance Sheet of the Company. However, the related detailed information of the annual accounts of the Subsidiary Companies will be made available to the investors seeking this information at any point of time. The annual accounts of the Subsidiary Companies are also available for inspection by the investors at the Head Office of the Company and that of the Subsidiary Companies concerned.

