

ANNUAL REPORT 2013 - 2014

*MAKING OUR MARK
ON THE GLOBE*

 **JKTYRE**
& INDUSTRIES LTD.

CONTENTS



Chairman & Managing Director's Message	1
Board of Directors	2
Directors' Report	4
Management Discussion and Analysis	16
Corporate Social Responsibility	26
Corporate Governance Report	30
Auditors' Report	34
Balance Sheet and Profit & Loss Account	36



Dear Fellow Shareholders,

The year gone by was indeed full of challenges. The slowdown in economic activity coupled with high interest rates and fuel prices had direct impact on the automotive industry. This, in turn, affected tyre demand. The Company met such challenging business environment head-on through several customer centric measures. In addition, concerted efforts resulted in exports registering a growth of 23%. These measures helped in improving Company's operations and profitability.

The long term outlook for domestic tyre industry remains positive. Expected higher economic growth would result in increased demand for cars and transportation in general, along with better connectivity, which will result in higher demand for tyres in the coming years. Your Company is future-ready to meet this expected growth in the times ahead.

Your Company crossed a new milestone with export of ₹ 1,040 Crores during the year 2013-14. This has been achieved despite tough market conditions prevailing in the Middle East, Africa and South East Asian countries amidst strong political and economic turbulence.

It sells tyres in over 100 countries across six continents and it is rewarding that brand 'JK Tyre' enjoys a premium status in a number of these markets.

JK Tornel, Mexico has also performed very well and continues to add value to your Company's overall growth strategy and profitability.

As a responsible corporate citizen, JK Tyre has always believed in the philosophy of development of society at large and particularly the communities in and around its various manufacturing locations. Since its inception, the focus has been specially in the areas of Health, Education including Adult Literacy, development of social infrastructure and promoting sports. JK Tyre has actively embraced green initiatives not only in its surroundings but also its products and processes.

I take this opportunity to acknowledge whole hearted support of all stakeholders and our committed teams in our growth endeavours.

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

Best regards,

Raghupati Singhania
Chairman & Managing Director

AUDITORS
Lodha & Co.
Chartered Accountants

REGISTERED OFFICE
Jaykaygram,
PO - Tyre Factory,
Kankroli - 313 342
(Rajasthan)

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

VICE PRESIDENT (LEGAL) & COMPANY
SECRETARY
Pawan Kumar Rustagi
CIN: L67120RJ1951PLC045966



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



BOARD OF DIRECTORS

Dr. Raghupati Singhanian

Chairman & Managing Director

Arvind Singh Mewar

Om Prakash Khaitan

Kalpataru Tripathy

Dr. Wolfgang Holzbach

Swaroop Chand Sethi

Whole-time Director

Bharat Hari Singhanian

Managing Director

Bakul Jain

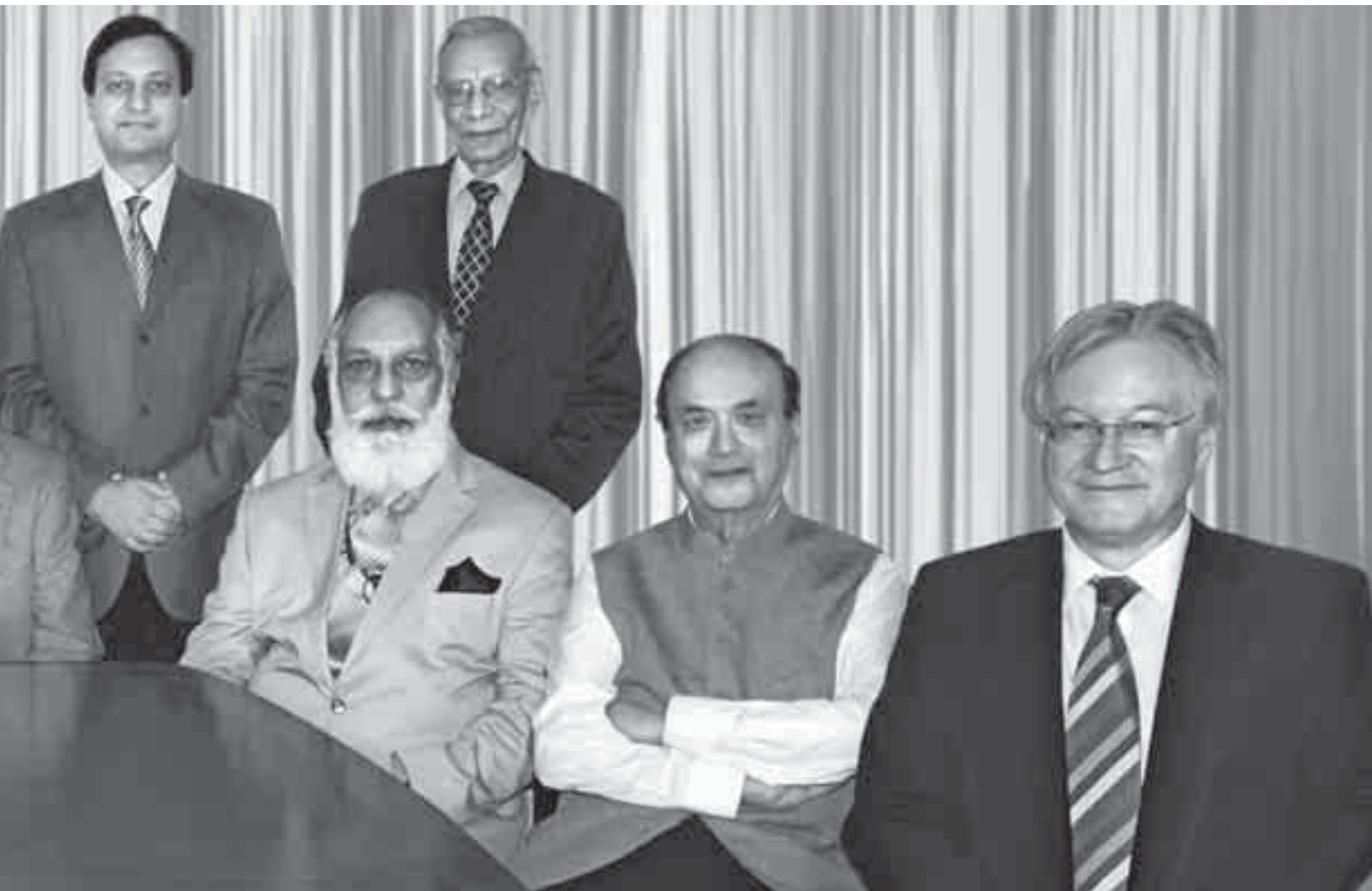
Vimal Bhandari

Vikrampati Singhanian

Dy. Managing Director

Arun K. Bajoria

President & Director



Visit us at www.jktyre.com

DIRECTORS' REPORT

TO THE MEMBERS

Your Directors are pleased to present the Annual Report of your Company, along with Audited Accounts for the financial year ended 31st March, 2014.

OPERATIONS

Your Company along with its wholly-owned subsidiary JK Tornel, Mexico achieved a consolidated turnover of ₹ 8,279 Crores, Operating Profit of ₹ 890 Crores and Profit Before Tax of ₹ 374 Crores, higher by 42% over the previous year.

On a standalone basis, the Company achieved a turnover of ₹ 6,577 Crores. Operating Profit for the year was ₹ 672 Crores, an increase of 34% over the previous year, and Profit Before Tax at ₹ 195 Crores.

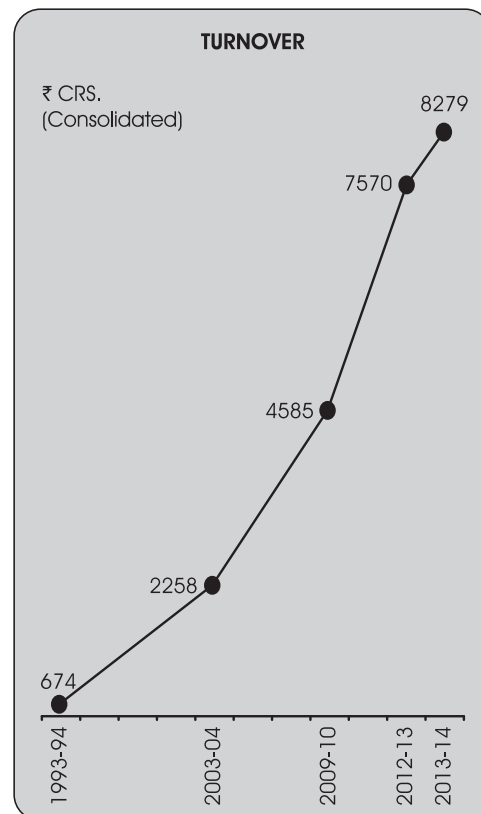
The economy was in a recessionary trend throughout the year with the average GDP growth clocking 4.5%. Manufacturing sector was worst affected which resulted in a negative growth. Subdued economic activity coupled with high rate of interest and high fuel prices adversely affected the automobile sector. Commercial vehicle manufacturers had to resort to heavy production cuts.

For the first time in the last 10 years the Passenger Car sales experienced a decline this year. In fact, even the reduction in excise duty for vehicles in both passenger and commercial segments failed to boost sales or add any comfort to the situation.

As a result of these factors which impacted the automobile industry, the demand for tyres remained sluggish both in commercial as well as passenger segments. The only breather, however, was a significant growth in demand of 23% in the Farm tyres segment.

The Company met the challenging economic environment by deploying multi-pronged measures. JK Tyre renewed its thrust on higher penetration in the replacement market and adding new OEMs. The Company widened its network of customer touch points, such as, 'JK Tyre Steel Wheels' and 'JK Tyre Truck

Wheels', which enabled it to strengthen its customer service. Several new products offering higher value added features, were launched in both Commercial as well as Passenger tyre categories, which have received excellent consumer feedback.



Concerted efforts were made in the export markets, resulting in the Company being able to widen its global footprint, in addition to increasing volumes in the existing markets. As a consequence, JK Tyre's exports clocked an all-time high of ₹ 1,040 Crores, registering an impressive growth of 23%.

These measures were supplemented by continuous cost compression initiatives, optimisation of resources and attaining better operating efficiencies. Correction in high raw material prices also helped in Company's improved operations.

As the macro-economic fundamentals of the Indian economy remain intact with several infrastructure projects gradually picking-up, it can be expected, that the economy would certainly show an upward curve. The outlook remains positive as the improving scenario promises a better demand for tyres in the coming years.

DIVIDEND

Your Directors are pleased to recommend a dividend of ₹ 5 per Equity Share of ₹ 10 each (i.e. 50%) on the Equity Share Capital of ₹ 41.06 Crores. The Dividend



outgo will be ₹ 24.02 Crores (inclusive of dividend tax of ₹ 3.49 Crores).

APPROPRIATIONS

The amount available for appropriation, including surplus from previous year is ₹ 201.93 Crores. The Directors propose this to be appropriated as under:

	(₹ Crores)
General Reserve	75.00
Dividend	20.53
Corporate Dividend Tax	3.49
Surplus carried to Balance Sheet	102.91
	<u>201.93</u>

ISSUE OF WARRANTS

With a view to augment its net worth, the Company made Preferential Issue of 43,03,350 Warrants to the Promoter Group, aggregating to ₹ 49.49 Crores based on a price prescribed under relevant SEBI regulations in that regard.

An amount of ₹ 12.37 Crores being 25% of the total consideration of the issue value, was received and accordingly allotment of warrants was completed on 16th December, 2013. Each Warrant is convertible into one Equity Share of the Company as per the terms of the issue.

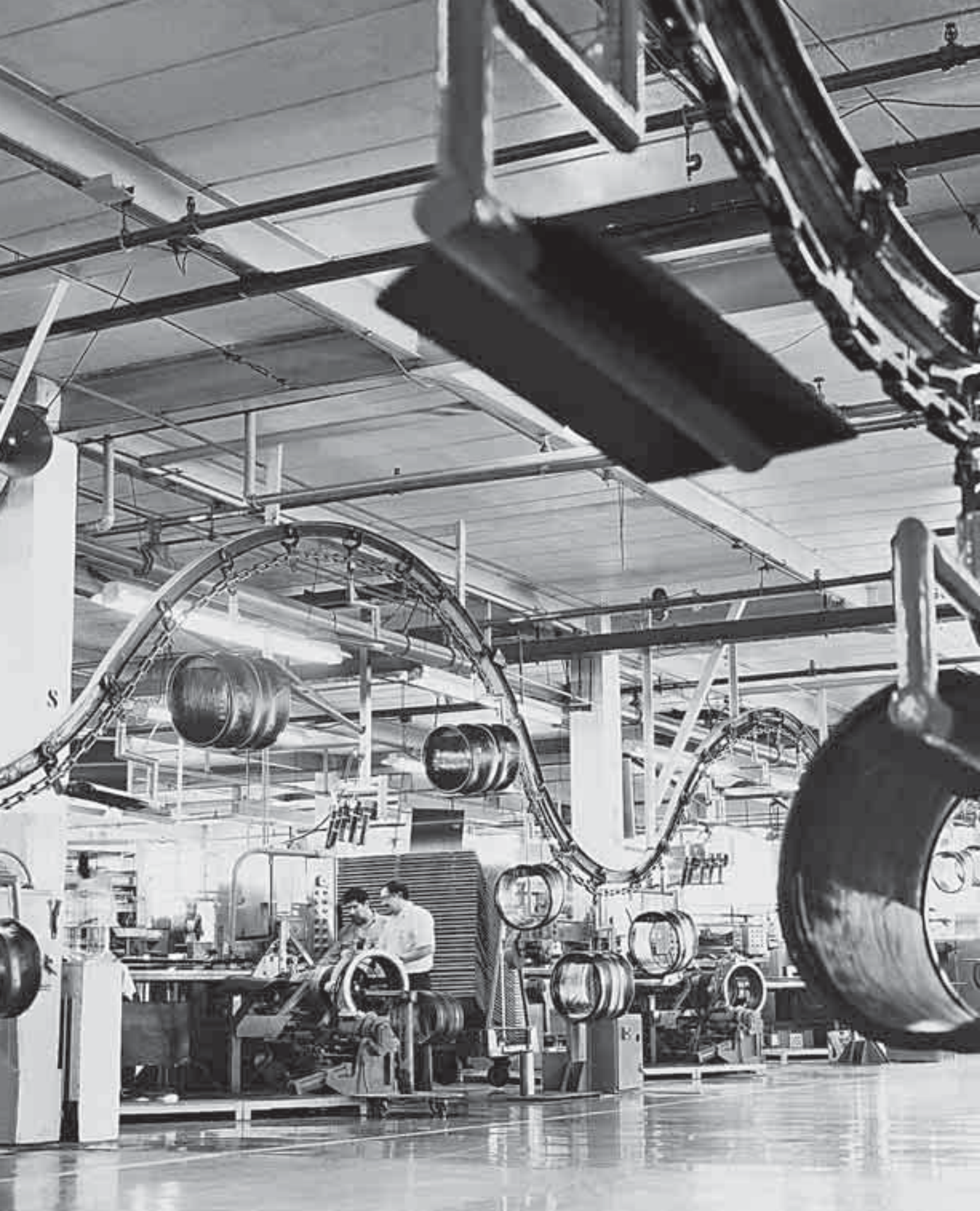
JK TYRE RACES AHEAD

JK Tyre continued its growth journey undeterred by the economic slowdown.

- Consolidated turnover including JK Tormel, Mexico at ₹ 8,279 Crores – up by 9%.
- Consolidated Profit (PBT) at ₹ 374 Crores – up by 42%.
- Total exports (India and Mexico) - ₹ 1,605 Crores – up by 20%.
- Maintained its No.1 position, in Truck/Bus Radial with a market share of 34%.
- Introduced new value added products – 7 in Commercial category and 3 for Passenger Cars – received excellent customer acceptance.
- In another first, JK Tyre partnered with Tata Motors to host the first ever Truck Racing event in India. All racing trucks were exclusively fitted with specially made JK Racing tyres, which performed extremely well, as also acknowledged by the International drivers.
- JK Tyre National Karting Championship completed 10 years.



Lakshmipat Singhania - IIM, Lucknow 'National Leadership Awards' – Hon'ble Vice President of India Shri Hamid Ansari with distinguished winners





EXPORTS - Scaling new heights

Anticipating slower growth in domestic market due to apparent sluggish trends in the economy, the Company as a strategy had re-inforced its effort of exploring newer markets beyond the Indian boundaries and scaling up its sales in the existing export markets right at the beginning of the financial year.

It gives the Directors great pleasure to report, that the Company achieved exports worth ₹ 1,040 Crores during the year 2013-14, recording an increase of 23% over the previous year. This was achieved despite tough market conditions prevailing in Middle-East, Africa and South-East Asian markets.

JK Tyre continues to enjoy a premium-brand status in various international markets including Americas and Australia. In fact, your Company tyres are now running on the roads of 100 countries across six continents, offering a wide range of high quality products.

JK TORNEL

JK Tornel continues to perform well and has recorded a turnover of ₹ 1,735 Crores for the 15 months period (January 2013 to March 2014) despite a slowdown in US and South American markets. It improved its profitability further with the highest ever PBT of ₹ 179 Crores for the period. The plants at Mexico, manufactured 'JK Tyre' and 'Vikrant' branded tyres apart from its range of 'Tornel' brand tyres.

JK Tornel expansion project to enhance PCR capacity is progressing as per schedule. The Company will have a significant increase in production from next year.

EXPANSION PROJECTS – FUTURE READY

Notwithstanding the current slowdown in the auto industry, the medium and long-term prospects are promising. It is expected that commercial and passenger vehicle industry will grow at 7-8% and 11-12% respectively in the next 4-5 years time.

Truck/Bus Radials will continue to grow due to new generation vehicles being fitted with Radials and expected boost to investment in overall infrastructure growth. These factors will lead to higher radialisation in commercial segment at a faster pace. It is expected

that from the present levels of 27% radialisation, it will grow to nearly 69% by 2017-18. In addition, there is a huge opportunity for export of Truck/Bus Radials as well as Passenger Line Radials in the global markets.

In order to capture these opportunities, the Company has undertaken an expansion of Truck/Bus Radials and Passenger Line Radials capacities. This ₹ 1,430 Crores project is expected to be commissioned by 2015-16.

In addition, Company's ongoing expansion to enhance SCV, Farm and Passenger Line Radial capacities has been commissioned and benefit of higher production is expected in the year ahead.

CUSTOMER FIRST

JK Tyre has resolved to continuously give better products keeping the evolving customer needs at the centre of every activity it plans or undertakes. In this endeavor, your Company has been undertaking measures to offer several value added services to its esteemed customers. In Truck/Bus segment, there have been a number of initiatives like 'JK Tyre Truck Wheels', 'JK Tyre Care Centers' and 'Fleet Management'.

'JK Tyre Truck Wheel' Centers are located at major transport hubs across the country. These centers provide exclusive services like Wheel Alignment, Wheel Balancing and Nitrogen Inflation.

READY TO TAKE ON THE WORLD

- Pioneered PCR & TBR Technology in India
- Widespread distribution network
- TBR-India leadership, world now in focus
- Winning mantra – commitment to excellence



Fleet Management programmes provides exclusive services to the key fleet accounts. These include Tyre Care & Maintenance Support, Data Management, Driver Training and 'Heal the Wheel' service camps. During the year, the Fleet Management service was further widened by increasing its reach.

In the Passenger Car Segment, JK Tyre has a unique Tyre breakdown assistance service called 'Fix-a-Tyre' in Delhi, NCR and Chennai. JK Tyre has been operating a chain of one stop retail & tyre care outlets called 'JK Tyre Steel Wheels'. 120 such retail outlets around the country are in operation and generate a significant portion of PCR sales. These outlets also provide services like Wheel Alignment, Wheel Balancing, Automatic Tyre Change and Nitrogen Inflation, besides selling a wide range of JK Tyre Passenger Car Tyres.

JK TREADS

The Company's retread business under the brand "JK Treads" has grown. It offers retreading solutions through a chain of franchise retreaders across the country. This initiative has been appreciated particularly by the Truck/Bus Radial customers, which help them derive maximum life and optimum value from high performing JK Radials.

R&D AND TECHNOLOGY

Technology leadership is at the core of all R&D activities of the Company. Multi-disciplinary teams of scientists and technologist through a synergetic blend of knowledge, experience and hard work are actively engaged in maintaining Company's technological leadership.

JK Tyre Tech Center and other in-house R&D Centers are extensively engaged in technology development and upgradation in the areas of material, new as well as future ready products and processes. The use of high end tools and predictive technologies in association with, "Hari Shankar Singhania Elastomer and Tyre Research Institute" (HASETRI) and "RPS Center of Excellence for Tyres and Vehicle Mechanics", located at IIT Madras, leads your Company towards innovation and creativity, the driving force behind the technology growth.

Your Company has set up a "Satellite Product Design & Development Centre" at JK Tonal, Mexico, manned by highly skilled Development Engineers, so that customer expectations for both OEMs and Replacement segments in NAFTA Region and in the South American markets, are well understood and met in the ever growing competition.

Period	Operating Profit (₹ CRS. Consolidated)
1993-94	68
2003-04	156
2009-10	517
2012-13	632
2013-14	890

MOTORSPORTS

During the year, your Company initiated many path-breaking motorsports events. JK Tyre introduced 'JK Racing India Series' which featured BMW engine powered FIA homologated FB02 Formula Cars and provided a lifetime opportunity to twelve of India's best racing drivers below 18 years of age to live their dream.

For the first time in the history of Indian Motorsport, your Company hosted a round of National Rally Championship and JK Tyre Racing, together at the same time and venue. The entire motorsport fraternity converged to witness history in the making. The last two rounds of the JK Tyre Racing Championship were hosted at world class Buddh International Circuit.

The second year of JK Tyre Himalayan Drive Car Rally, run under the aegis of Government of Sikkim and West Bengal, attained newer heights in terms of participation and media coverage.