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CARE ASSIGNS 'CARE AA- (FD)' AND 'CARE A1+ (FD)' RATINGS TO THE FD AND 'CARE A1+' TO THE CP ISSUE OF JK TYRE & INDUSTRIES LTD

Ratings

Facilities	Amount (Rs. crore)	Ratings[1]	Remarks
Long-term / Short-term Instruments-Fixed Deposit	100.00 (Rupees one hundred crore only)	**CARE AA- (FD)/ CARE A1+ (FD) [Double A Minus (Fixed Deposit)/A One Plus (Fixed Deposit)]**	**Assigned**
Short-Term Instruments-Commercial paper (Standalone)	200.00 (Rupees two hundred crore only)	**CARE A1+ (A One Plus)**	**Assigned**

CARE Ratings has applied its rating methodology for manufacturing companies to assess JK Tyre & Industries Ltd.

Rating Rationale

CARE has taken a consolidated view of JK Tyre & Industries Ltd (JKTI) in its analysis considering the enhanced debt in its subsidiaries and significant contribution from the same going forward.

The ratings assigned to the fixed deposit and commercial paper of JK Tyre & Industries Ltd (JKTI) takes into account the improved operating profitability for the company in FY15 (refers to the period April 1 to March 31) and 9MFY16 (refers to the period April 1 to December 31) coupled with improvement in its capital structure. There was a continued expansion in PBILDT margin which is primarily attributed to decline in raw material prices coupled with change in product-mix with increased contribution from high margin radial tyres. Furthermore, the ratings factor in the strength derived from the experience of the promoters, JK group's long-track record of operations, its established market position in Truck and Bus Radial (TBR) segment and wide marketing and distribution network. However, these rating strengths are partially offset by its working capital intensive nature of operations, exposure to foreign currency fluctuation risks and raw material prices volatility and competitive nature of industry.

The ability of the company to scale-up operations while maintaining the high profitability levels, continued improvement in the gearing position as well as timely execution of the capex plans would be the key rating sensitivities going forward.

Background

JK Tyre & Industries Ltd (JKTI; CIN No.L67120RJ1951PLC045966), the flagship company of the JK group, is headed by Dr. R.P. Singhania as its chairman and managing director. It is a one of the leading tyre manufacturers in India and amongst the top 25 manufacturers in the world with a wide range of products catering to diverse business segments that includes Truck/Bus, LCV (Light commercial vehicles), Passenger Cars, MUV (Multi utility vehicles) and Tractors. JKTI has global presence in 100 countries across six continents with six plants in India and three in Mexico, with total capacity of more than 20 million tyres per annum. Tyres manufactured by the company are sold under the "JK Tyre" and "Vikrant Tyres" brands.

JKTI pioneered radial technology in India in 1977 and is currently the leader in Truck Bus Radial segment, with a market share of 31% in India. It has been ranked no.1 for the third time in the J.D. Power Asia Pacific's study on Customer Satisfaction.

[1]*Complete definition of the ratings assigned are available at www.careratings.com and other CARE publications*

On a total operating income of Rs.7,402 crore (PY: Rs.7,691 crore), JKTI earned a PAT Rs.330 crore (PY: Rs.263 crore) in FY15 on consolidated basis. Further, during 9MFY16 (refers to period from April 01 to December 31), JKTI earned PAT of Rs.338 crore (PY: Rs. 220 crore) on a total operating income of Rs.5,204 crore (PY: Rs.5,574 crore) on consolidated basis.

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****For detailedRationale Report and subscription information, please contact us at www.careratings.com**

CARE has classified instruments rated by it on the basis of complexity. This classification is available at www.careratings.com. Investors/market intermediaries/regulators or others are welcome to write to care@careratings.com for any clarifications.

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