"JK Tyre & Industries Limited
Q2 FY2024 Earnings Conference Call"

November 02, 2023

ANALYST: **MR. BASUDEV BANERJEE – VICE PRESIDENT – ICICI SECURITIES LIMITED**

MANAGEMENT: **MR. ANSHUMAN SINGHANIA - MANAGING DIRECTOR – JK TYRE & INDUSTRIES**
MR. ARUN KUMAR BAJORIA – DIRECTOR & PRESIDENT – INTERNATIONAL OPERATIONS – JK TYRE & INDUSTRIES
MR. ANUJ KATHURIA - PRESIDENT INDIA BUSINESS – JK TYRE & INDUSTRIES
MR. SANJEEV AGGARWAL – CHIEF FINANCIAL OFFICER – JK TYRE & INDUSTRIES
MR. A K. KINRA – FINANCIAL ADVISOR – JK TYRE & INDUSTRIES

Moderator: Ladies and gentlemen good day and welcome to the JK Tyre & Industries Limited Q2 FY2024 Earnings Conference Call, hosted by ICICI Securities Limited. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing "*" then "0" on your touchtone phone. Please note that the conference is being recorded. I now hand the conference over to Mr. Basudev Banerjee, Vice President at ICICI Securities Limited. Thank you and over to you sir!

Basudev Banerjee: Thanks Akshay. Good morning and good afternoon and to all participants. I would like to thank JK Tyre management for giving us the opportunity to host the call. We have with us the senior management represented by Mr. Anshuman Singhania, Managing Director, Mr. Arun Bajoria, Director and President International Business, Mr. Anuj Kathuria, President India Business, Mr. Sanjeev Aggarwal, Chief Financial Officer and Mr. A K. Kinra, Financial Advisor. So without wasting any time I would like to hand over the call to Mr. Singhania. Over to you sir.

Anshuman Singhania: A Good morning everyone. Thank you all for joining JK Tyre's Q2FY24 earnings call. I am Anshuman Singhania, Managing Director and I have with me Mr. Arun Bajoria, Director & President – International, Mr. Anuj Kathuria, President – India, Mr. A.K. Kinra, Financial Advisor and Mr. Sanjeev Aggarwal, CFO of the Company.

On behalf of JK Tyre family, I wish you all a very happy & prosperous festive seasons 2023.

It is with immense pride to share with all you that JK Tyre secures 'Best-in-Class' ESG grading for second consecutive year. This signifies our strong commitment to become an environmental conscious organization and also reinforces our vision of "Be a Green and Trusted Mobility Partner".

Quarter 2 was another strong quarter, with record high revenues of Rs.3,905 crore with growth of 4% as compared to the corresponding quarter, driven by sustained demand momentum in domestic markets.

Operating profitability doubled to Rs.597 crore over the corresponding quarter with EBIDTA margins hitting the multi-quarter high at 15.3%, led by improved operational efficiency, enriched product mix, further supported by raw material prices.

Strong domestic fundamentals continue to provide tailwinds to both automobile and tyre industry during the quarter as well, resulting into JK Tyre domestic volume growth of 8% over the corresponding quarter contributed by robust OEM and replacement growth grew by 18% and 7% respectively over the corresponding quarter, despite export demand being lower. The festive season driven robust demand for the automotive industry will provide continued impetus to the tyre sector.

CV sales continued to witness growth owing to investments in the infrastructure sector and higher economic activity. PV sales continue to be on an uptrend during the quarter and reached new heights owing to strong demand for SUV's. Also, we are witnessing some green shoots in rural markets, resulting in uptick in 2/3 wheelers sales. However, domestic tractor sales remained muted during the quarter. As the kharif sowing is on track, and with an overall favorable monsoon, tractor sales are expected to recover slowly.

We are increasing our participation in OEMs and presence in replacement market by offering premium products across segments.

Exports sales recorded a healthy double-digit growth over the sequential quarter. Consolidated exports stood at Rs.654 crore, which is up by 11% over the previous quarter, primarily led by higher volumes. We are watchful of the global demand sentiments and further strengthening our presence in Americas and Middle-East markets.

On automobile and tyre sector outlook: Demand momentum continues to remains steady in the domestic market on the strength of promising economic outlook of India in the near to medium term. We believe, the pick-up in the private sector capex going forward will further catalyze the overall economic and demand momentum.

On channel development: We are increasing our brand presence through increasing JK Tyre's exclusive brand shops to penetrate deeper into the domestic markets and cover all white spaces.

Fleet management and mobility business is another important area where JK tyre holds competitive advantage in terms of offering superior customer services. We are adding large fleets customers to capitalize on the opportunities emanating out of rising economic activities and higher fleet utilization in the country. We are proud to share that JK Tyre has partnered with 1300+ large fleets in the country under fleet management program. This is an important business vertical area for us and would accelerate going forward.

Our financial performance has improved significantly in terms of overall profitability, lower debt levels with better return ratios. We are striving towards our strategic priorities of undertaking capex judiciously in order to capture growth opportunities with sustained focus on reducing leverage through debt reduction and better working capital management through improved profitability.

Now, I request Mr. Arun Bajoria to talk about the performance of JK Tornel, Mexico.

Arun Bajoria: Thank you Anshuman ji. The performance of JK Tornel, Mexico continued to be resilient in terms of overall revenue and profitability in Q2 FY24. JK Tornel achieved a turnover of Rs.712 crore, flattish on y-o-y basis. This has been achieved despite headwinds faced from American continent on account of influx of tyres from Asian countries as well as appreciation of Mexican peso by nearly 12%. Recently, there has been an imposition of additional import duty of 10% on Chinese and all other Asian countries on PCR / LTR tyres for next 2 years.

Operating profits (EBIDTA) stood at Rs.57 crore, lower by 11% on y-o-y basis. Mexico's economy sent a signal of 'moderation' and in July recorded growth of 0.2% monthly, from the 0.5% reported in June. However, investment levels in Mexico have surged upwards so far this year and sentiment from the private sector is at its highest level since 2015, driven by a better perception of the performance of the economy and nearshoring. Fortunately, gross fixed investment represented 24.3% of GDP in the first half of this year, the highest figure since 1993. These pointers are a good sign of the future of Mexican economy. Inflation continues in a downward trend in the quarter ending Sep23. It stood at 4.44% annually at the end of Sep'23, from nearly 5% at the end of June'23.

I am happy to share that JK Tornel has secured "5 Star certification and recognition" from the British Safety Council for occupational health and safety.

Now, I request Mr. Aggarwal to brief about the financial performance of the quarter

Sanjeev Aggarwal: Thank you, sir. Let me briefly share the key highlights for Q2 FY24. The Consolidated sales were recorded at Rs.3,905 crore, viz-a-viz Rs.3,764 crore in Q2FY23, up 4% on y-o-y basis, primarily driven by volume growth. Profitability at EBIDTA level in Q2FY24 was recorded at Rs.597 crore as against Rs.305 crore in Q2FY23, an impressive increase of 96% on y-o-y basis. Operating profit margins were recorded at 15.3% on consolidated basis. Margins have expanded by 280 bps over the corresponding quarter. Cash profit for the quarter was Rs.488 crore, significantly up by 150%. Profit after tax (PAT) was Rs.249 crore, a multifold (5x) increase on y-o-y basis. Capacity utilization levels remained high at 87%. Consolidated Exports stood at Rs.654 crore, up by 11% sequentially. Subsidiary companies, namely, Cavendish Industries Ltd. and JK Tornel, Mexico continued to perform well and contributed significantly to the revenues and profitability on consolidated basis. Cavendish (CIL) posted a topline of Rs.928 crore, with EBIDTA at Rs.144 crore registering a operating margin of 15.5%. Profit after tax stood at Rs.49 crore. Earnings per share (EPS) improved to Rs.9.33 per share as against Rs.2.08 per share in Q2FY23.

ROCE and ROE has improved significantly in Q2FY24. Net debt stood at Rs.4,087 crore as on September 30, 2023, a reduction of about Rs.431 crore since March 2023 led by scheduled long term loans repayments, improved working capital levels and higher cash accruals. Leverage ratios improved further over March'23. Net debt to equity improved to 1.05x in Q2FY24 as against 1.29x as at end of March 2023 and Net debt to EBIDTA improved significantly to 2.27x in Q2FY24 as against 3.39x at end of March 2023. The capacity expansion capex under implementation in TBR and PCR tyres are progressing well, as scheduled. The Balance Sheet of the company as at the end of September is much healthier with improved financial ratios. We have already circulated our Earnings Presentation, which is available on our website as well as on the stock exchange websites. Now, we open the forum for Q&A.

Moderator: Thank you very much. We will now begin the question and answer session. The first question is from the line of Nirav Seksaria from Living Root Analytics. Please go ahead.

Nirav Seksaria: Yes, sir so could you shed some light on the margin like what could we expect the margin for the next 6 months or so like at what crude level are we comfortable to maintain the current margin level?

Anshuman Singhania: Right now, our margins have reached at 15.3% levels with the operating profitability doubled to 597 Crores over corresponding quarter. We are expecting some increase in the raw material prices by 3 to 4% owing to rise in crude oil prices.

Nirav Seksaria: But during Q2 the crude prices were relatively less so at what crude levels going forward we can maintain the 15% margin?

Sanjeev Aggarwal: So basically, we have been seeing volatility in the crude prices recently. We believe between 85 to 95 range of the crude level should not impact us much.

Nirav Seksaria: So, sir if the crude is within that level we can reach the December 2020 EBITDA margin level of 18%?

Sanjeev Aggarwal: 18% are you saying?

Nirav Seksaria: Yes like is it possible to reach the 18% level which was achieved in December 2020?

Sanjeev Aggarwal: See we have been working all the way, right from the increase in efficiencies, improvement in the tyre premiumization and also launching innovative products in the recent past. We are trying to improve upon the margins on a sustainable basis, subject raw material prices remain in a range. I would not like to say that what kind of margins we can get in the next few quarters, but yes we are very optimistic that we will be able to get much better compared to what has been the history actually.

Anshuman Singhania: As Mr. Aggarwal is saying that we will put every best effort to sustain the margins.

Nirav Seksaria: Okay so 80 to 90 level is comfortable and so what's the current capacity utilization?

Sanjeev Aggarwal: 87% as we said

Anshuman Singhania: Yes, overall the 87% utilization.

Nirav Seksaria: What about the JK Tornel and on the standalone basis too?

Anshuman Singhania: About 85% in JK Tornel and standalone is 95%.

Nirav Seksaria: Thank you sir.

Moderator: Thank you. Next question is from the line of Aditya Rathi from Aequitas Investments. Please go ahead.

Aditya Rathi: Thank you for the opportunity and first of all congratulation on a very good set of number. Sir my first question was again related to margin so in the opening remark you mentioned that margin increase was because of product mix and raw material price going down so I wanted to understand how much of the contribution in margin has happened because of improvement in product

Anuj Kathuria: So the improvement in margins as we see over the sequential quarter is around 280 basis points so here it is a combination of various factors definitely the raw material prices have further softened, the raw material prices has come down around 5 to 5.5% during the quarter that is one, the other is that as Mr. Sanjeev Aggarwal has also mentioned that we have been working diligently on the premiumization and offering better innovative products in the market, especially in the PCR segment one is our capacity utilization has been at its peak, second we have been also been able to get more tyres which are of the higher rim sizes, 16 inch and above has also grown significantly. Those products have better margins.

Not to undermine the continuous drive on operational efficiency that is being worked. We have been doing a lot of work on tech-enabled manufacturing that is also giving us the returns, so it is an all-around combined effort and also selectively on certain SKUs we have also taken some price increases. So actually if you see all the boxes that are required are being ticked and one more point is that the current expansion that is happening in Banmore which was announced the capex for which was announced last year Rs.530 Crores that is also giving us the capability to go and produce more tyres of the higher rim sizes so going forward also that will help in further premiumization of the PCR segment.

Aditya Rathi: Got it and secondly again if I see at the gross margin level and if I compare it year-on-year so our RMC last year for September quarter was close to 70% and it has dropped to now 60% so there has been an improvement of 10% in gross margin, but the similar level of improvement has not happened in EBITDA margin and if I can see the most glaring increase is in employee cost which has kind of sustained over the last six quarters so at what level do we see this employee cost stabilizing because in this current quarter also it has increased by 26% whereas our revenue has grown only by 3%?

Sanjeev Aggarwal: You are right. There has been a reduction in the gross margin from almost about 70% to 60% and which was eaten away somewhat through the higher employee cost, due to impact of annual increase which has taken place and some of the long-term agreements which we have signed with the labor unions at some of our plants so these are some of the reasons which has partially offset the benefit.

Aditya Rathi: Sir at what level do we see this stabilizing because again this quarter the employee cost was up by 26% which is kind of quite significant?

Sanjeev Aggarwal: As I said because of reasons as mentioned the employee cost is up. This is also because of the increase in production levels.

Aditya Rathi: Right but year-on-year if we see the volumes it is in single digit so the production volume has not significantly increased in tandem with employee cost?

Sanjeev Aggarwal: So, the impact of the benefit of long-term agreements will come over period. This is for next three years we will not see any increase in the contract cost. This benefit will be there over the period.

Aditya Rathi: Lastly sir my question was around the capex plan so as you mentioned the second phase of PCR is currently on and TBR is also 260 Crores TBR so this is expected by end of fourth quarter this year?

Sanjeev Aggarwal: So the both the projects are progressing well and in fact some of the capacities have already come into commercial production and these are being ramped up. In the case of TBR the ramp up will get completed by the end of this financial year and also for PCR will happen in very first month of the next financial year.

Aditya Rathi: So what would be the total contribution to revenue in relation to this two capex specifically?

Sanjeev Aggarwal: So we have discussed this earlier also because these capex which we had undertaken involved some level of balancing the existing equipment's, which are already there partly. This will give asset to turnover of 1.2:1.

Aditya Rathi: Okay and now we have announced one more new capex of Rs.1,000 Crores almost having an execution of close to two years and in which segment have we announced this capex?

Sanjeev Aggarwal: This is broadly in the PCR segment since there is a very good growth in the PCR segment in the Indian market and also in the overseas market we are getting opportunities with the expected anti-dumping duties against the other Asian countries. So, we are expanding capacities in the PCR segment.

Aditya Rathi: All right sir I thank you for answering all my question I will come back in the queue.

Moderator: Thank you. The next question is from the line of Jinesh Gandhi from Motilal Oswal Finance Services. Please go ahead.

Jinesh Gandhi: Hi sir congrats on very strong performance. Continuing on the question on the capacity addition which we have announced so what kind of capacity addition will this lead to.

Anshuman Singhania: We have announced Rs.1025 Crores and we are looking at expanding the capacity by 20% from our total available capacity of 15.5 million tyres per annum.

Jinesh Gandhi: The quantum of capacity addition in PCR segment since this is only for PCR what kind of capacity expansion will happen for PCR is my question?

Sanjeev Aggarwal: So this is actually the broad announcement which we have made and the plans are under consideration and we are working out all these details, but very broadly as I said earlier the expansion is going to be majority for PCR.

Jinesh Gandhi: Okay got it and second question pertains to this 8% volume growth in the quarter which we have seen in the domestic market. Can you give breakdown between the growth in domestic replacement and OEM as well as what was the decline in the export on the volume side on year-on-year basis?

Anshuman Singhania: Domestic market witnessed a volume growth of 8% over the corresponding quarter, in the replacement market our volume growth was 7% and in the OEM we grew by 18% and in the domestic market in the passenger vehicle and commercial vehicle tyres we have witnessed a volume growth of 9% on a year in year basis.

Jinesh Gandhi: Okay so you indicated OEM growth of 18% and replacement of 7 and despite that our overall domestic volumes grew by about 8% which in that context looks bit low what am I missing over here?

Moderator: It got disconnected sir. Can we take the next question.

Anshuman Singhania: Yes please take up.

Moderator: The next question is from the line of Bharat Bhagnani from Living Root Analytics. Please go ahead.

Bharat Bhagnani: Yes hi everyone good morning. You know I just wanted to ask Sanjeev ji. Sanjeev ji I think you had mentioned a couple of quarters back regarding the tax rate by when can we see the tax rate coming down I mean is the entire thing absorbed by now?

Sanjeev Aggarwal: So we will be able to absorb the MAT credit by the end of this financial year We cannot adopt this in between and in any case there is some unabsorbed MAT credit available so that will get utilized in this financial. From next financial year we will see a new rate of tax.

Bharat Bhagnani: So it will be that 26% range 25%?

Sanjeev Aggarwal: Whatever the applicable tax rate in that financial year that will in effect.

Bharat Bhagnani: Right and you also announced recently I think yesterday that you are going for a capex increase, you are doing a capex to increase the capacities so these will be like you mentioned primarily in the PCR segment, PCR radial segment, but I think are we utilizing our current capacities fully?

Sanjeev Aggarwal: So I think it was clarified earlier by Anshuman ji, 95% of our capacities are utilized at the moment.

Bharat Bhagnani: Okay, so this can go up to 100 or this is where we are at currently, this is where we will be at the current capacity.

Sanjeev Aggarwal: With some efficiency project of course, we can fetch higher output, which continue to do so. Since the new capacity from Rs.530 PCR has come up and is under ramp-up stage. We will not face capacity constraints.

Bharat Bhagnani: Okay and this will be an existing plant itself, right?

Sanjeev Aggarwal: That is correct.

Bharat Bhagnani: The final question is that we primarily being a leader in the TBR space we are now focusing our energies towards the PCR segment. I think after Mr. Anuj has come in more so I think then what are we looking at you know couple of years down the line in terms of revenue mix we want to bring the TBR cyclicality down or I mean what is the idea behind now focusing on PCR more?

Anuj Kathuria: Just to clarify this point while the focus will be on PCR it does not mean that the focus on TBR is not there the focus continues to be on TBR also, in fact if you see at our Laksar plant we are already taken up the capacity expansion. Our participation with the OEM has gone up, our reach in the replacement market is also being enhanced also we have been launching some power SKUs, why we call them power SKUs because these are SKUs which is giving better value to our customers to give a few examples the fuel efficient or the fuel saving tyres XF series, the extra mileage Series XM the specifically. We have now started designing tyres for the mining application because we understand that mining applications are becoming more stringent so XF Series so there is a lot of focus on TBR as well. We will be focusing on TBR and we will also have an enhanced focus on PCR because there the headroom is even better.

Bharat Bhagnani: Got it and I think in a recent report research report that had come out it mentioned that you know your Vikrant and Challenger brands the proportion of revenue from them have come down significantly so are we to say that these will be phased out and you are not keen on continuing the low-end brands which were essentially competing with the Chinese imports.

Anshuman Singhania: We are increasing our premiumization all across and these brands were created for some other purpose when there were lot of Chinese influx and now we are focusing on higher premium mix. so going forward we will be enriching our product mix more.

Bharat Bhagnani: So finally Anshuman Ji then one thing in the PCR also then are we looking at rim size of 15, 16 inch and above. We are not looking at anything below that right because that is a very competitive space again.

Anshuman Singhania: We are catering from whole from 12 inch up to even 18, 19 inch and we are also participating with OEMs in the lower rim sizes as well and that also holds a good market right now in the after market as well. We will be continuing to cater to this smaller rim sizes also and we will increase our ratio going in the higher rim sizes.

Bharat Bhagnani: Okay. Thank you so much, thanks and all the best.

Moderator: Thank you. The next question is from the line of Vishal from Svan Instruments Pvt. Ltd. Please go ahead.

Vishal: Thank you for taking my question sir and congratulations for a very good set of numbers. Sir I have one question regarding the raw material basket you said that for this quarter you are expecting around 3 to 4% increase in the raw material basket and you also said that you would try to maintain your margin trajectory at a similar level seen this quarter so Sir where are we seeing this delta come from what is your strategy it will come from price increases, product mix, geographical mix improvement something like that so can you throw some light on how will you able to cope this price increase and maintain your margins that is my first question?

Anshuman Singhania: Yes, very well you heard that right well our margins will remain sustained because of various reasons because as you heard that our increase in premiumization of products across the segment, for example in the PCR the higher rim sizes then we have introduced a lot of new products in the PCR itself and then truck radial as well. We have introduced the fuel saver and the XF series and then the XM series that is one, the other thing is that we are seeing the demand to be quite robust. We will be catering into this demand wherever we are seeing opportunity in terms of our selling price increase we will be doing that, our capacity utilization has been at a very good level so our efficiencies are also panning out so these are some of the areas in which we are focusing and expected raw material price increase could also set that off.

Vishal: Okay sir. Sir my second question is regarding the demand scenario for your international business like Tornel and Cavendish how are you seeing in near term how the demand is shaping up in the international market?

Anshuman Singhania: Well in the international market first of all that we are seeing that the worst is sort of behind us, there has been some signs of normalization in the channel inventory and improving customer confidence and business sentiment. There has been in some markets cooling off of the inflationary pressures, also the interest rates have peaked out so we are making continuous efforts in terms of our expanding in our global market presence and we are seeing that there will be improvements going forward in the H2FY2024.

Vishal: Thank you so much sir thank you and all the best team.

Moderator: Thank you. The next question is from the line of Mitul Shah from DAM Capital. Please go ahead.

Mitul Shah: My first question is on export side. Export if you can give either in value terms or volume terms Q2 versus last year Q2 how much decline we have witnessed?

Sanjeev Aggarwal: At India operations, there is decline of 6% in this quarter.

Anshuman Singhania: But on quarter and quarter basis in value term there has been 26% improvement.

Sanjeev Aggarwal: And that is why Anshuman Ji just said that the worst is behind us now and we are seeing an upward trajectory.

Anuj Kathuria: Just to add if you see the four quarters of last year, quarter one and quarter two was quite good for exports, but in quarter three and quarter four the demand had fallen sharply now in quarter one we saw some recovery and quarter two has again been better as Anshuman Ji said quarter two was 26% better than quarter one so going forward we expect that quarter three is generally not a very strong quarter for exports because of the year end change and all that, but quarter four onwards we expect that the demand should be robust the only thing which you have to watch for is the geopolitical situation and which way it goes.

Mitul Shah: Sir this 6% decline in volume or value.

Anuj Kathuria: Value decline.

Mitul Shah: Second question is on this new capacity addition and capex as we are highlighting more focus on the PCR in this incremental capacity and that too again is focus towards the higher inch ring size so what could be the revenue potential once this entire new plant goes at a close to 100% utilization, incremental revenue?

Sanjeev Aggarwal: Revenue from the new project which we are envisaging to set up will be 1:1

Mitul Shah: Can you give roughly ballpark number in terms of a revenue breakup likely between the PCR and non-PCR in this incremental capacity?

Sanjeev Aggarwal: As I said earlier we are still working out the details and we have decided to invest about Rs.1000 Crores and the details will follow and we will inform you in due course.

Mitul Shah: So lastly on this capex side. This Rs.1025 Crores would be spent over next one year from this October?

Sanjeev Aggarwal: Not in one year this takes a lot of time nowadays to set up capacities because the delivery of the equipment takes almost about 15 to 18 months' time so we are expecting that the complete commissioning of the project will take about two years.

Mitul Shah: So Rs.500 Crores roughly incremental capex for one year like and existing capex already we are in the range of Rs.400, 500 Crores so broadly overall capex would be 1000 Crores per year for next two year can we assume that?

Sanjeev Aggarwal: Yes that is right but on the existing capex which are undergoing at this point in time most of the capex has already been done so maybe some amount of capex payments and other things will continue in to the next financial year but okay you can take about that number.

Mitul Shah: Yes sir and last this QIP any timeline any indicative as per your internal assessment?

Sanjeev Aggarwal: We are preparing the relevant requirement we are preparing papers for that but we would like to maybe target within this financial year I would say.

Mitul Shah: Okay sir thanks and all the best.

Moderator: Thank you. The next question is from the line of Tushar an Individual Investor. Please go ahead.

Tushar: Hi sir good morning and congratulations on the great set of numbers. My question is on the capex side actually. If we see in the latest quarter our cash flow generation is roughly around Rs.350 Crores and for the entire year we can roughly generate Rs.1100 Crores cash and accordingly over the next two years we can generate Rs.200 Crores cash which is more than sufficient for Rs.1000 Crores capex that you have just announced then why are we looking at to dilute equity to raise Rs.500 Crores?

Sanjeev Aggarwal: Good question this is I think to strengthen our balance sheet further and deleverage the company as this has been a point of discussion all the time that the company's balance sheet was slightly leveraged. In the last two years you would have seen a lot of improvement there on the debt reduction and also because we are undertaking the capex of about Rs.1,000 Crores so this could be mix use of the capex and also the strengthening of the balance sheet and general corporate purposes.

Tushar: Okay sir. It is also my humble request to the company to maybe wait for the higher price to do this QIP as our company valuation is much lower compared to previous. Thank you sir.

Moderator: Thank you. The next question is from the line of Jyoti Singh from Arihant Capital Markets. Please go ahead.

Jyoti Singh: Thank you for the opportunity and sir congratulations on the good set of numbers. So my question is on the EV side so sir if you can could you provide about the current market share in the EV tyre segment?

Anshuman Singhania: Well we are very focused on the EV opportunities and we have in our earlier expansion project which we had announced and going forward we have a full capability of making EV tyres in the commercial space which is the CV with truck and buses and even in the passenger and two three-wheeler we have the full range of products and we will have the compatibility of making these tyres in these new projects as well. We have witnessed in two three wheeler space growth in this and even in the PCR it is picking up and we have we are also supplying our EV tyres to various OEMs and presently having a good volume going forward and currently on the passenger side we have the HPE which is the EV tyre and in the commercial tires JUXE in the bus segment and E-Blaze for the two & three-wheeler segment and We are participating with OEMs and very closely working with Tata Motors, Ashok Leyland and also VCV on the EV front. Well right now the market is small, but we are doing some bits of numbers in the replacement markets as well.

Jyoti Singh: Okay and also that we are exporting?

Anshuman Singhania: We are currently not exporting the EV tyres.

Jyoti Singh: Any plan for this?

Anshuman Singhania: Yes we will explore as this market evolves we will explore the export opportunities as well.

Jyoti Singh: Okay thank you so much.

Moderator: Thank you. The next question is from the line of Marsal an Individual Investor. Please go ahead.

Marsal: My first question is regarding this Banmore this capacity plant so what was our capacity utilization during this quarter?

Anshuman Singhania: 95% plus.

Marsal: So like there is a bit confusion here because like what I have seen in the press release that this with this Rs.312 Crores we have expanded our capacity by 12 lakhs unit but then we are again increasing by the similar 31% but the capital outlay is almost double no change but Rs.617 Crores what is the reason for this one?

Anshuman Singhania: You are talking about the capex investment or you are talking about utilization?

Marsal: No. I am talking about capex regarding this Banmore plant the second phase. In the first phase we have increased the capacity from 39 lakh to 51 lakh at a cost of Rs.312 Crores.

Anshuman Singhania: Right.

Marsal: And like this increase by 31% and in the phase two again we increased capacity by 31% but the capital outlay is Rs.312 Crores but capacity is Rs.617 Crores why?

Sanjeev Aggarwal: So as I have been saying in all the calls this point is raised that debottlenecking program and the balancing programs are the reasons for our lower capex which we had undertaken and now this expansion further is a full kind of a Brownfield expansion plan. Also over the last two years the costs have gone up and some cost element increase is there and also because now there are couple of equipments which were not required earlier in earlier expansions those equipments are also going to be installed this time so that is the reason for increase in the capex cost.

Marsal: So in the first phase the number of unit increase was 12 lakh right.

Sanjeev Aggarwal: Total expansion earlier also in the first phase was almost about Rs.16 lakh and the second phase also was about something of that number and now it is of the capacity 19%. This also includes not only the passengers but also some other areas, the other segment.

Marsal: That is fine sir but like in the first phase we increased capacity by 12 lakh unit which was 31% of 31 lakh right.

Sanjeev Aggarwal: Can you can you please discuss this separately with me I will explain and clarify you.

Marsal: Your good name sir, how to reach you on which number.

Sanjeev Aggarwal: You can reach out to me through email I will reply to you.

Marsal: Okay and my second question was that regarding this employee cost. There has been mentioned by the previous participant we can see that like as compared to September 2022 our revenue has gone up by 10% but employee cost has gone by 30% and the reason explained by the management team was in the like sort of excuse sir, it is a humble request there is no need to any excuse we need some concrete action as we can see leading company like Wipro Limited their profit was down, their executive chairman has taken lower salary, their CEO has taken lower salary so what I am saying to make annual increment is not a regulatory or is not like obligation that we have to make increment every year I think something need to be done here because the employee cost has gone by Rs.50 Crores, so request to you and request to Anshuman Ji that I think going forward there is no need to give this like end March increment or the higher percent or it is in March you have to give increment but like definitely we need to see that like how the profitability and how the revenue is increasing.

Sanjeev Aggarwal: Okay sir. Thank you so much.

Moderator: Thank you. The next question is from the line of Shashank Kanodia from ICICI Securities. Please go ahead.

Shashank Kanodia: Good morning sir and congratulations for a great set of numbers so just if you can share some thoughts of yours regarding the competitive intensity in the aftermarket so was there any price action by us or by competition corresponding in the aftermarket for this quarter.

Anshuman Singhania: There was no such price increases in the aftermarket but however as mentioned by Anuj Ji that in the select categories in the aftermarket we have increased our prices.

Shashank Kanodia: Okay but there has not been any price cut by us or any of the competition or is it so?

Anshuman Singhania: Well there is always a competitive scenario in the aftermarket and we are completely watchful and setting our prices accordingly.

Shashank Kanodia: But has there any price cut by the competition is what I am asking?

Anshuman Singhania: Anuj ji would you like to mention.

Anuj Kathuria: See actually as Anshuman Ji was explaining that there are market forces so segment by segment there would be or even I would say geography by geography there would be some specific offer, some scheme that is running. But overall, I would say that broadly the prices are maintained across most of the category and we also had done the similar thing and for select segments we have also taken some increases so overall if you see net, net in the replacement market I would say it was maintained.

Shashank Kanodia: Okay sir, Sanjeev Ji if you can share the raw material basket details in terms of procurement cost per kg for natural urban carbon and synthetic rubber?

Sanjeev Aggarwal: You want to know about carbon credits?

Shashank Kanodia: No sir I wanted to have the raw material procurement cost RM basket?

Sanjeev Aggarwal: We have already discussed the raw material basket, there is a correction by almost about 5% during the quarter.

Shashank Kanodia: Procurement cost for natural over carbon black if you can share?

Sanjeev Aggarwal: Individually is not readily available with me but you can send me a query and I can reply to that.

Shashank Kanodia: Right and sir this RM basket is up 3 to 4% for this quarter is also an indication from the management, right?

Sanjeev Aggarwal: Yes.

Moderator: Thank you. The next question is from the line of Siddharth Gupta an Individual Investor please go ahead.

Siddharth Gupta: Good afternoon sir. Sir I wanted to know have you decided on any price for the QIP or are we going to wait for a better price in the coming months?

Sanjeev Aggarwal: I think this is not the time to decide about the prices we have to go as per the SEBI pricing formula so that we will discuss and decided at the later stage.

Siddharth Gupta: Okay that is it, that is it from my side. Thank You.

Moderator: Thank you. The next question is from the line of Sagar from Retail Investor. Please go ahead.

Sagar: So what would be the revenue mix by market at standalone level?

Anshuman Singhania: The revenue mix for the standalone level is OEM comprising of 30%, replacement 55% and export nearly around 15%.

Sagar: What would be the revenue mix by product line at standalone level?

Anshuman Singhania: In terms of the standalone the truck & bus segment would be 55%, passenger segment would be 32% and non-truck will be 13%.

Sagar: Thank you sir.

Moderator: As there are no further questions I now like to hand the conference over to the management of JK Tyre for closing comments.

Sanjeev Aggarwal: Thank you so much. I would like to once again thank you everyone for joining us today discuss Q2 FY2024 performance. We hope we have been able to reply to your questions to your satisfaction. Thank you so much everyone.

Moderator: Thank you. On behalf of ICICI Securities Limited that conclude this conference. Thank you for joining us and you may now disconnect your line.