

MCONNECT

A QUARTERLY MAGAZINE

“
ELECTION
SHAPES MARKET CURRENTS,

BUT INVESTOR WISDOM
STEERS THE TIDE.”



HYBRID FUND OUTLOOK

Mr. Ashish Naik
Equity Fund Manager
Axis Mutual Fund

MARKET OUTLOOK

Mr. Mandar Pawar
Fund Manager
Kotak Mutual Fund

INDIA MANUFACTURING OUTLOOK

Mr. Rakesh Sethia
Fund Manager & Senior Research Analyst
HDFC AMC Ltd

STOCK OF THE QUARTER:

JK TYRE LTD

FUND OF THE QUARTER:

HDFC MANUFACTURING FUND

SAMVAT 2080 - PERFORMANCE

SAMVAT 2080

Portfolio Performance

As on 14th May, 2024

SR No.	Stocks	Recommend Price Date 6th Nov 2023 (₹)	Peak rate Post Recommendation (₹)	Price as on 14th May, 2024	Return as on 14th May, 2024	Peak Gain
1	HDFC BANK	1495	1721	1462.00	-2%	15%
2	L&T	2979	3860	3350.00	12%	30%
3	TATAMOTORS	646	1066	967.00	50%	65%
4	INDIGO	2570	3959	4132.00	61%	54%
5	TATA POWER	251	444	425.00	69%	77%
6	ABFRL	218	266	260.00	19%	22%
7	CROMPTON GREAVES	284	328	329.00	16%	15%
8	USHA MARTIN	295	380	346.00	17%	29%
9	DODLA DAIRY	694	1070	948.00	37%	54%
10	ASHOKA BUILDCON	138	196	170.00	23%	42%
11	LG BAL BROS	1150	1409	1292.00	12%	23%
12	IMAGICAA	47	91	81.00	73%	95%

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 Email: info@mehtagroup.in,
 Website: www.mehtagroup.in

Average return	32%	43%
Total Return	388%	520%
Nifty Returns		14.6%

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CHAIRMAN DESK

To Our Esteemed Readers,

The dawn of the new financial year 2024-2025 promises a plethora of opportunities alongside challenges, many of which stem from the global arena. Nonetheless, India has consistently surmounted obstacles, and I am confident that our markets will continue their exponential growth trajectory.



CA RAKESH MEHTA
Chairman, MEHTA GROUP

For investors, this new fiscal year offers a chance to reassess and review your investments to ensure capital protection. Prioritizing portfolio diversification and asset allocation is paramount to shield against geopolitical and domestic economic fluctuations.

The previous fiscal year witnessed robust performance in equity markets, driven by domestic inflows, strong economic growth, stable earnings, and moderated inflation. The S&P BSE Sensex and Nifty 50 delivered impressive returns, outperforming global markets.

Current micro and macroeconomic indicators depict a resilient economy:

- Equity markets are scaling new heights.
- The economy boasts a commendable growth rate of 8.4%.
- GST collections have reached an all-time high of ₹2,10,095 crore.
- Auto sales and monthly home sales have hit record highs.
- Retail SIP inflows stand at approximately ₹20,000 crore per month.
- The Service PMI has surged to a 13-year high.
- Power consumption has reached unprecedented levels.
- Bank NPAs are at their lowest in a decade.
- Manufacturing PMI is at a 16-year high.
- Core inflation is the lowest in 12 years.
- UPI transactions have peaked at 18.4 billion.

Despite ongoing global tensions, Indian markets continue to outshine, while the recent surge in gold prices above ₹72,000 per 10 grams reflects global inflation concerns.

The impending general election, with Prime Minister Narendra Modi seeking a historic third term, has already factored into market sentiments, potentially mitigating excessive volatility. Historical data suggests a positive long-term outlook for equity markets despite election-related uncertainties.

Warm Regards,

CA Rakesh Mehta
Chairman
Mehta Equities – Mehta Group

The 2024 Lok Sabha elections, spanning from April 19 to June 1, hold immense significance for India, influencing economic policies and market sentiments. While the election outcome may impact various sectors, stability and continuity are expected under the current government.

With approximately 30 lakh new investors joining each month and the number of demat accounts surpassing 15 crores, the investor class has become a significant vote bank. This underscores the importance of a stable government for sustained market growth, a sentiment echoed by millions of investors who have thrived under the Modi administration.

At Mehta Equities, we are dedicated to providing tailored solutions for all investor needs. Here's to a prosperous new fiscal year ahead!



GUEST COLUMN

 **AXIS MUTUAL FUND**

HOW HYBRID FUNDS CAN BE A SMART CHOICE FOR UNCERTAIN TIMES



Mr. Ashish Naik
Equity Fund Manager,
Axis Mutual Fund

In the realm of investing, one thing remains constant - change. The investment landscape, like the shifting seasons, is never static. Markets move in cycles and hence go through phases of volatility. Given that markets by nature are uncertain and unpredictable, it is imperative for investors to adapt and navigate through the waves of change or uncertainty. This means having a mix of assets that can perform well in different market conditions. Hybrid funds are a good option to achieve this goal. Hybrid funds are a type of mutual fund that invests in both equity and debt securities. This gives them the potential to generate returns in both rising and falling markets.



To make informed investment decisions, it's imperative to understand the current dynamics of the equity and debt markets. Equity markets have had a good run in the last six months and are on the cusp of consolidation. Added to this, the increasing geopolitical tensions and rising yields on US Treasury are weighing on market sentiment. Interest rates globally are expected to remain higher for longer and expectations of interest rate cuts have declined. In such a scenario, investors should look at balancing the risks with some stability. Hybrid funds come into play here, as the debt element in these funds offers stability and yield to the portfolio.

Advantages

Hybrid Funds are investment vehicles designed to harness the strengths of both equity and debt instruments. These funds offer retail investors an opportunity to adapt to changing market conditions, thanks to their dual approach. Here are some key advantages of Hybrid Funds that can make them a choice in uncertain times:

1 Diversification

One of the golden rules of investing is diversification. A concentrated portfolio (focusing on a singular asset class) will only result in increasing risk, instead of mitigating it. Hybrid Funds combine equity and debt, and sometimes even gold, offering investors a diversified portfolio. This diversification can help to mitigate risk while providing exposure to potential growth.

2 Risk Management

In volatile markets, managing risk is paramount. By investing in a Hybrid Fund, you benefit from a mix of asset classes, allowing you to strike a balance between the potential for higher returns (equity) and the stability of fixed income (debt). This may ensure that the ability of the portfolio to compound over the long term is not impacted significantly even in the face of economic headwinds threatening to eat into investor's capital in an individual asset class.

3 Flexibility

Hybrid Funds come in various forms, catering to different risk appetites. From conservative, and balanced, to aggressive, investors can choose a fund that aligns with their financial goals and risk tolerance.

4 Professional Expertise

Managing a portfolio requires skill and expertise. Hybrid Fund managers are well-versed in navigating turbulent markets and adjusting asset allocation as needed, allowing investors to rest assured that their investments are in capable hands. It also allows the investor to spot alpha opportunities irrespective of the market cap or asset and add incremental returns to the portfolio.

5 Tax Efficiency

Different asset classes are subjected to different tax treatments. A portfolio that has exposure to multiple asset classes, therefore, will allow investors to leverage the benefit of better tax efficiency and earn better tax-adjusted returns. Investors can choose exposure to a particular security basis their financial profile, prevailing tax laws, investment holding periods, and the tax and return characteristics of the underlying securities. Proper asset allocation may not only help investors determine the right asset class, but also the right investment product.

As you consider your investment options, remember that a well-balanced, diversified approach, such as Hybrid Funds, can be a reliable companion on your financial journey. Consult with a financial or tax advisor to understand which type of Hybrid Fund suits your goals and risk tolerance. In the world of finance, one thing is certain: adaptability is the key to thriving amidst uncertainty. Hybrid Funds offer that adaptability, helping you navigate the ebbs and flows of the market while securing your financial future.



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Past performance may or may not be sustained in the future.

Statutory Details: Axis Mutual Fund has been established as a Trust under the Indian Trusts Act, 1882, sponsored by Axis Bank Ltd. (liability restricted to Rs. 1 Lakh). **Trustee:** Axis Mutual Fund Trustee Ltd. **Investment Manager:** Axis Asset Management Co. Ltd. (the AMC). **Risk Factors:** Axis Bank Limited is not liable or responsible for any loss or shortfall resulting from the operation of the scheme.

Mutual Fund Investments are subject to market risks, read all scheme related documents carefully.

GUEST COLUMN



MARKET OUTLOOK



Mr. Mandar Pawar
Fund Manager,
Kotak Mutual Fund

The Financial year 2023-24 turned out to be a strong year for Indian equities. India has become the 5th largest in the world in terms of market cap from being 11th in FY14 (Source: Bloomberg, Economic Times). Indian capital markets were supported by the trinity of strong macro-economic parameters, robust corporate earnings and stable domestic flows.

Markets indices continue to hover around the all-time high levels despite the concerns floating around the valuations and flaring up of geopolitical tensions. Market is thriving on the optimism surrounding expectations of positive election outcome leading to continuation of policies and pace of reforms.

Volatility in the market is likely to continue. In the near term, geopolitics factor will be on watch as oil prices at US\$ 100 per bbl or above will be detrimental to earnings growth trajectory. If we don't see escalation and with Election event being behind, focus will shift to earnings delivery, Budget and monetary policies of Central Banks.

In the global backdrop, recent inflation numbers coming from US is retesting the conviction of investors on the timing of Fed pivot. US economy has shown resilience as reflected in reported GDP growth of 3.4% for Q4CY23 (Source: US Bureau of Economic Analysis), ahead of estimates and driven by higher consumer spending, strong labour market, exports and business investments.

Year 2024 is dotted with major elections and amongst this what will matter the most for India investors is of course India General Elections and US Presidential Elections. While the outcome in former to greater extent appears discounted by the market, the latter is like to be a tighter race. In case of lower than expected seats in elections for ruling party in our General Elections, it can turn out to be a negative catalyst particularly given the current market valuations.

Apart from event risks, fundamentals of Indian economy and markets continue to be robust which justify the India's high valuations vis-à-vis global emerging market peers. India is leading the race in terms of GDP growth rate forecasts. FY24 saw return of foreign flows to the tune of USD 25 bn which was matched by DIIs flows driven by strong SIP inflows which continue to swell (Source: Bloomberg, Kotak Institutional Equities). HNI and domestic retail participation in equity markets, both direct and through mutual funds continue to be strong and likely to sustain going forward.





Current economic growth momentum is very well reflected in GDP growth estimate of 7.6% for FY24 (Source: National Statistical Organization) and GST collections which are higher by 11.7% over last (Source: PIB, Ministry of Finance) year where as future earnings predicted in consensus expectations also remains healthy and in mid-teens (for Nifty companies). Despite the strong market rally, valuations (1-year Forward Consensus P/E) still remains lower than peak seen in 2022 as earnings growth is also steaming ahead in tandem. However, valuations are now trending higher than 10 year averages and relative valuations of Nifty i.e. P/E premium to emerging markets, widened.

Valuations continue to be at elevated levels which may cause could keep market participants edgy but at present strong liquidity is offsetting this factor. Market valuations for the large cap are not too expensive, 5-6% above historical P/E but the midcap and small cap valuations are well ahead of their historical valuations where some bit of caution is warranted.

Our portfolios are tilted towards domestic businesses within which our preference lies for domestic cyclicals such as autos, industrials, cement over consumption-oriented names, as meaningful recovery in consumption trends has so far been elusive. Healthcare and telecom segments can be good alternatives to staples and discretionary within the consumption basket.

While finding attractive investment opportunities are getting difficult at the margin in the current high valuation environment, we care maintaining a disciplined approach to investing and follow our investment philosophy of Growth at a Reasonable Price (GARP). Our investment approach remains bottom up stock picking with a top down thematic overlay. We advise investors to keep investing in a systematic and disciplined manner for the medium to long-term, keeping in mind individual risk profile and asset allocation.

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To view the latest complete performance details of the Scheme(s) kindly refer to the factsheet on our website <https://www.kotakmf.com/Information/forms-and-downloads>. KMAMC is not guaranteeing or forecasting or promising any returns/future performances.
Mutual fund investments are subject to market risks, read all scheme related documents carefully.

GUEST COLUMN



INDIA'S MANUFACTURING SEEING SUCCESS ACROSS INDUSTRIES!



Mr. Rakesh Sethia
Fund Manager & Senior Equity Analyst
HDFC AMC Ltd.

What's the Point?

India's manufacturing and goods exports journey is making rapid strides across sectors such as automobiles, pharmaceuticals, and electronics manufacturing. Periodic new announcements, investments and breakthroughs show our growing prowess in high tech and high precision manufacturing, along with the world gaining greater confidence in India's manufacturing capabilities and friendly environment. India's Manufacturing sector is expected to grow from 15% of the economy to 20% by 2030, propelling growth expectations in this segment. Growing consumption, investments, exports and emergence of India as a manufacturing powerhouse makes Indian Manufacturing a compelling multi-decadal investment opportunity.

Some Recent Manufacturing Success Stories

1 Pharma Sector

27 new Greenfield Bulk Drug Park projects and 13 Greenfield Manufacturing Plants for Medical Devices under the PLI Scheme were inaugurated over the last week, as per a release by PIB.

- While India has excelled in formulations, there has been import dependence for certain critical bulk drugs, due to cost considerations and shift of the industry towards the more profitable formulations business. A PLI scheme with an outlay of ₹6,940 crore incentivising production of these bulk drugs was implemented and has already seen investments worth ₹3,651 crore.
- India is amongst world's fastest emerging Medical Device market – one of India's sunrise sectors – with exports from the sector growing steadily at a CAGR of around 14% since FY2020. India's medical device market in India, currently estimated to be at \$11 billion, is expected to exceed \$30 billion by 2050. The sector had low competitiveness due to lack of adequate infrastructure, domestic supply chain and logistics, high cost of finance, limited design capabilities, low focus on research and development (R&D) etc. Thus, a PLI Scheme towards this sector with an outlay of ₹3,420 crore was announced and is seeing success.

2 Electric Vehicles

India's new EV policy is a potential success, with brands such as Jaguar Land Rover agreeing to set up local manufacturing for these cars.

- The JLR plant could be set up with investment of \$1 billion, reflecting heavy investments in this space.
- This would be the first group to use a new policy that allows limited import of vehicles above a certain value at a lower customs duty, if they agree to set up local manufacturing of these cars within a span of 3 years.
- Separately, Macquarie group launched a \$1.5 billion fund towards India EV financing, with a focus on electrifying fleets of commercial vehicles. This could further accelerate EV adoption in India.

3 Toy Manufacturing

India's toy industry made rapid strides between FY2015 and FY2023 with exports increasing by 239% and imports declining by 52%, resulting in the country turning into a net exporter. A mandatory requirement of the Bureau of Indian Standards (BIS) approval for the sale of toys in India, protectionism, China-Plus-One strategy and an increase in import duty have led to a boom in India's toy industry.

- Going forward, more global toy makers are considering India as a manufacturing base. According to reports, while some global brands like Hasbro, Mattel, Spin Master, and Early Learning Centre already depend on India for manufacturing and sourcing, major manufacturers like Italian major Dream Plast, Microplast, and Incas are gradually shifting focus to India from China.
- As per IMARC\$, this industry valued at \$1.7 billion in India in 2023, could rise 2.5 times to \$4.4 billion by 2032.

4 iPhone Manufacturing seeing increasing localisation

India has gradually become a significant portion of Apple's iPhone supply chain, accounting for 14% of its production. As per reports, this could move to 25% over the next few years.

- While Tata group had acquired the India operations of Winston in 2023, there are reports that another acquisition is under discussion. With this, they could control ~33% of Indian manufacturing of iPhones.
- Additionally, reports suggest that the Micron plant in Sanand in Gujarat could be providing chips to iPhones in India and the world. This could be a milestone for India's semiconductor mission.

Conclusion

India needs Manufacturing to ensure economic growth in its Amrit Kaal, provide employment to the world's largest workforce, and ensure macroeconomic stability. Consequently, an improvement in the manufacturing sector bodes well for India's economy. It is equally noteworthy that the universe is broad and diversified providing investment opportunities across the economic landscape.

Sector	Number of Companies	Market Cap (₹ lakh crore)	%
Capital Goods	190	25.89	17%
Oil, Gas & Consumable Fuels	12	25.02	16%
Automobile and Auto Components	72	24.19	16%
Healthcare	77	18.48	12%
Consumer Durables	72	13.45	9%
Fast Moving Consumer Goods*	63	12.62	8%
Metals & Mining	27	11.88	8%
Chemicals	95	10.71	7%
Construction Materials	28	8.82	6%
Textiles	35	2.25	1%
Telecommunication	3	0.44	0%
Forest Materials	10	0.37	0%
Information Technology	5	0.16	0%
Media, Entertainment & Publication	2	0.05	0%
Manufacturing Universe (Market Cap > ₹1000 crore)	691	154.34	100%

*excluding Diversified FMCG and Personal Products. Source: Capitaline, AMFI, Bloomberg. Data as of February 29, 2024. Above list is for illustration purpose only.

To capture this opportunity, one could consider our NFO, HDFC Manufacturing Fund, that aims to invest at least 80% of its net assets in the manufacturing theme. The Fund shall have diversified exposure to companies that: (1) are engaged in manufacturing activity, (2) may benefit from Government's Make-in-India initiatives, (3) are positioned to substitute India's imports by manufacturing locally, (4) export goods manufactured in India and have the potential to increase employment in India. Visit www.hdfcfund.com or the product page to know more.

[NFO Period of HDFC Manufacturing Fund: April 26, 2024 to May 10, 2024] Sources: PIB, UBS Research, CMIE and other publicly available information (\$ International Market Analysis Research and Consulting)



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The Fund/ HDFC AMC is not indicating or guaranteeing returns on any investments. Past performance may or may not be sustained in the future and is not a guarantee of any future returns. Readers should seek professional advice before taking any investment related decisions. Mutual fund investments are subject to market risks, read all scheme related documents carefully.

FUND OF THE QUARTER

ATMANIRBHAR BHARAT

A RISING MANUFACTURING POWERHOUSE

STEP INTO THE **AMRIT KAAL** WITH

HDFC MANUFACTURING FUND

NFO PERIOD: 26th April to 10th May, 2024

Investment Strategy

<p>Core Portfolio</p> <p>Core of the portfolio (at least 80%) will be invested in stocks that represent the diverse sectors of manufacturing</p>	<p>Investment Style / Stock Selection</p> <p>Stock selection will be based on bottom-up research ideas which are expected to have long runway for growth</p>	<p>Portfolio Concentration</p> <p>Reasonably well diversified portfolio</p>	<p>Market Cap</p> <p>Flexible across market capitalisation</p>
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HDFC Mutual Fund / AMC is not guaranteeing returns on investments made in the scheme. The current investment strategy is subject to change depending on the market conditions.

Improving Infrastructure improves competitiveness

<p>Ports</p> <p>1.76x in 2023 vs. 2014 (1,535 vs. 871 MTPA)</p> <p>Average TAT improved from ~82hrs (FY17) to 48hrs (FY23)</p>	<p>Railways</p> <p>2.5x Rail Network Electrified in last 10 years (85% vs. 33%)</p> <p>DFC – Rail has increased from 72hrs (FY18) to 24hrs (FY23)</p>	<p>Roads</p> <p>2x in last 10 years (1.5 lakh km highway network)</p> <p>Road avg kms/truck/day increased from 190 (FY15) to 250 (FY23)</p>	<p>Green Energy</p> <p>2.5x in 2023 vs 2015, Target 500 GW by 2030</p> <p>Peak power shortage of 17% (FY13) to almost NIL (FY23)</p>
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Better Infrastructure reduces cost, improves efficiencies and allows greater scale

Source: PIB, Company data MTPA: Million Tonnes per annum TAT - Turnaround Time

Asset Allocation

Under normal circumstances, the asset allocation (% of Net Assets) of the Scheme's portfolio will be as follows

Types of Instruments	Minimum Allocation (% of Net Assets)	Maximum Allocation (% of Net Assets)	Risk Profile
Equity and Equity related instruments of companies in engaged in manufacturing theme	80	100	Very High
Equity and Equity related instruments of companies other than above	0	20	Very High
Units of REITs and InvITs	0	10	Medium to High
Debt securities*, money market instruments and Fixed Income Derivatives	0	20	Low to Medium
Units of Mutual Fund @	0	20	Low to High

@ The Scheme may invest in the schemes of Mutual Funds in accordance with the applicable extant SEBI (Mutual Funds) Regulations as amended from time to time.
* including securitised debt, other structured obligations (SO), credit enhanced debt (CE), debt instruments with special features such as subordination to equity (absorbs losses before equity capital) and /or convertible to equity upon trigger of a prespecified event for loss absorption (also referred to as "perpetual debt instruments").

FUND OF THE QUARTER

Key Sectors that could drive Export Growth

	FY28 Projected exports (US\$ bn)	Projected exports CAGR (FY22-28)
Chemical	~\$110 - \$130	19% - 23%
Pharma	~\$45 - \$50	16% - 18%
Industrial machinery	~\$70 - \$75	18% - 20%
Electrical & electronics	~\$120 - \$145	35% - 40%
Automotive	~\$45 - \$55	15% - 18%
Textile & apparel	~\$95 - \$110	13% - 16%

Source: [Bain analysis](#)

The information herein is based on expectations and the actual results could vary materially. This is not indicating returns from any investments. There is no assurance as regards to performance of any company, sector or investment.

Opportunity across Sectors and Market Capitalisations

	Number of companies	Market Cap (₹ lac cr)	%
Manufacturing Universe (Mcap > 1000cr)	691	154.34	100%
By Sector			
Capital Goods	190	25.89	17%
Oil, Gas & Consumable Fuels	12	25.02	16%
Automobile and Auto Components	72	24.19	16%
Healthcare	77	18.48	12%
Consumer Durables	72	13.45	9%
Fast Moving Consumer Goods*	63	12.62	8%
Metals & Mining	27	11.88	8%
Chemicals	95	10.71	7%
Construction Materials	28	8.82	6%
Textiles	35	2.25	1%
Others	20	1.02	0%
By Market cap classification			
Large Cap	43	85.55	55%
Mid Cap	76	33.42	22%
Small Cap	572	35.38	23%

The Fund shall invest in companies:

- that are engaged in manufacturing activity,
- that are positioned to substitute India's imports by manufacturing locally,
- that may benefit from Government's Make in India initiatives,
- that export goods manufactured in India and have the potential to increase employment in India

Manufacturing covers ~37% of the overall market cap, and is well diversified amongst sectors and market capitalisation

Source: Capitaline, AMFI, Bloomberg. Data as of February 29, 2024

Fund Facts

Particulars	HDFC Manufacturing Fund
Type of Scheme	An open ended equity scheme following manufacturing theme
Investment Objective	To provide long-term capital appreciation by investing predominantly in equity and equity related securities of companies engaged in the manufacturing activity. There is no assurance that the investment objective of the Scheme will be realized.
Benchmark Index	Nifty India Manufacturing Index (TRI)
Fund Manager \$	Mr. Rakesh Sethia
Investment Plans	• Direct Plan • Regular Plan
Investment Options	Under Each Plan: Growth, Income Distribution cum Capital Withdrawal – Payout and Reinvestment of IDCW
Minimum Application Amount	During NFO Period Purchase / Switches: Rs. 100/- and any amount thereafter During continuous offer period (after scheme re-opens for repurchase and sale): Purchase / Additional Purchase / Switch: Rs. 100/- and any amount thereafter
Load Structure	Entry Load : Nil Exit Load : In respect of each purchase/switch-in of units, an Exit load of 1% is payable if units are redeemed/switched-out within 1 month from the date of allotment. No Exit Load is payable if units are redeemed / switched-out after 1 month from the date of allotment. No Entry / Exit Load shall be levied on bonus units and Units allotted on Re-investment of Income Distribution cum Capital Withdrawal. In respect of Systematic Transactions such as SIP, Flex SIP, STP, Flex STP, Swing STP, Exit Load, if any, prevailing on the date of registration / enrolment shall be levied.

For further details, refer Scheme Information Document and Key Information Memorandum and addenda thereto available on www.hdfcfund.com and at Investor Service Centres of HDFC Mutual Fund.

\$Dedicated fund manager for overseas investments Mr. Dhruv Muchhal

Refer disclaimer and Product label on page 26 & 27.

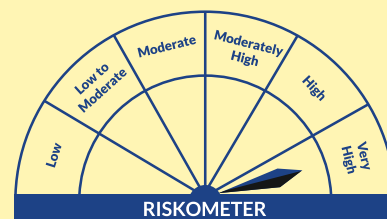
Product Labeling & Riskometer

This product is suitable for investors who are seeking* :

- To generate long-term capital appreciation
- Investment predominantly in equity & equity related securities of companies engaged in the manufacturing theme

*Investors should consult their financial advisers, if in doubt about whether the product is suitable for them. #The product labelling assigned during the NFO is based on internal assessment of the scheme characteristics or model portfolio and the same may vary post NFO when the actual investments are made. For latest riskometer, investors may refer to the Monthly Portfolios disclosed on the website of

Riskometer#



Investors understand that their principal will be at very high risk

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STOCK OF THE QUARTER



JK Tyre Ltd

Industry

Tyres & Rubber Products

CMP

₹ 385

Recommendation

Accumulation

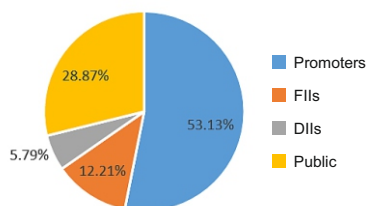
KEY DATA

BSE Code	530007
NSE Code	JKTYRE
52 Week High (₹)	554.35
52 Week Low (₹)	171.10
Market Cap (₹ Cr)	10,025
Face Value	2

INDUSTRY SNAPSHOT

Customers	Global
Market Presence	Global
Govt Regulations	Neutral
Msearch View	Positive

SHAREHOLDING PATTERN



PROMOTERS/MANAGEMENT

MR. RAGHUPATI SINGHANIA	CHAIRPERSON
MR. ANSHUMAN SINGHANIA	CEO-MD
MR. ARUN KUMAR BAJORIA	EXECUTIVE DIRECTOR

KEY RATIOS

PE	13.9
EPS	10.66
ROE	9.49%
ROCE	11.1%

PRICE CHART



RESEARCH ANALYST

Rajan Shinde
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 022-61507142

ABOUT THE COMPANY

JK Tyre & Industries Ltd (JKT), a flagship company of the JK Organisation, is a leading tyre manufacturer in India and ranks among the top 25 globally. Renowned for its radial tyre, tubes, and flaps, the company holds a prominent position in the Truck Bus & Radial segment (TBR). With a presence in 105 countries and 180 global distributors, JKT offers end-to-end solutions for various vehicle segments including passenger vehicles, commercial vehicles, farming, Off-the-Road, and two & three-wheelers. The company operates 12 manufacturing facilities across India and Mexico, producing approximately 35 million tyres annually. Supported by a robust network of over 4000 dealers and 500+ dedicated Brand shops, JKT is a market leader known for its commitment to sustainability. Additionally, the company is deeply involved in promoting motorsport in India, contributing to the growth of the sport and nurturing young talent for over three decades.

INVESTMENT RATIONALE

- Diversified product portfolio:** JKT customer-wise revenue mix in 9MFY24 is OEM: 23%, replacement: 61%, export: 16%. Exports may decline due to geopolitical conditions, but OEM and replacement demand is expected to remain strong in FY25e. Segment-wise revenue mix shows truck/bus radial: 54%, passenger radial: 29%, 2W&3W: 4%, others: 13%. The company aims to increase its share in the PCR (Passenger Car Radial) tyre market, with PCR segment sales showing significant growth. Premium tyre contribution increased from 12% in FY2019 to 24% in 9MFY24, expected to reach 30-35% in the next two years.
- Strengthen market position across segment:** JKT is strategically focused on expanding volumes across all product segments in both the replacement and export markets. To achieve this, the company is intensifying its efforts to enhance its distribution network by establishing exclusive brand shops across India. These brand shops serve as key touchpoints for customers, enabling JKT to strengthen its market presence and capture a larger share of the market. Additionally, JKT is leveraging digital and AI tools extensively to optimize its operations and enhance customer experience. By harnessing the power of digital technologies, JKT aims to streamline processes, improve efficiency, and stay ahead of market trends, ensuring sustainable growth and competitiveness in the dynamic tyre industry landscape.
- Focusing on Premiumization to boost margins with SUV Tyres:** JKT is strategically focusing on enhancing its position in the PCR segment, where it currently holds the fourth position. With concerted efforts, JKT aims to increase the share of PCR revenue to approximately 38% from the current 29%, leveraging its completed and ongoing capex of around ₹ 25 bn (completed & on-going), of which ₹ 18 bn is allocated to PCR, particularly for high-margin SUV tyres. By intensifying efforts in branding, marketing and distribution expansion, coupled with a focus on exports, JKT aims to strengthen its presence in the PCR market. The company also aims to increase the share of above-16-inch tyres in PCR to over 35% within the next 2-3 years, compared to the current level of approximately 25% and 18% three years ago. These strategic initiatives are expected to bolster JKT's market positioning and revenue growth in the PCR segment.

RISK

- Fluctuation in raw materials.
- High competition segment in domestic as well as from chinese tyre manufacturer.

MVIEW

We believe JKT is a compelling opportunity to invest in a sector which is a proxy for auto demand, which in turn is direct beneficiary of economic growth. The company's strong market position, extensive global presence, and commitment to sustainability make it a standout player in the industry. We think with a diverse product portfolio catering to various vehicle segments and a robust distribution network, JKT is well-equipped to capitalize on growth opportunities in both domestic and international markets. We also believe company's focus on OEM and replacement markets is expected to drive continued demand in FY25e. The company's strategic initiatives to increase its share in the PCR segment, particularly in high-margin SUV tyres, demonstrate its proactive approach towards market expansion and margin improvement.

By looking at the financials company as shown a healthy growth in Revenue from operation in FY 2022 and FY 2023 with 32% and 22% and we expect decent 10-15% growth in coming years supported by traditional auto OEM and replacement demand. Even average declining raw material prices would also help tyre makers to improve profitability allow with moderate hikes in tyre prices in coming quarters boosting bottom-line to 4-5%. Hence considering long term investment rationale JK tyre could be good long term players for a minimum time horizon of 12-18 months, we recommend investors to ACCUMULATE in the range of ₹ 350-385.

Report Dated : 14th May 2024



FINANCIALS

Particulars (in ₹ Cr.)	9MFY2022	9MFY2023	2022	2023	2024E	2025E
Revenue from Operations	11012	11303	11983	14645	16842	18526
Growth YoY	-	2.6%	32%	22%	15%	10%
Total Expenditure	10163	9710	10910	13409	14821	16117
EBITDA	850	1594	1073	1236	2021	2408
EBITDA Margin	7.7%	14.1%	9.0%	8.4%	12.0%	13.0%
PAT	152	637	200	265	758	987
PAT Margin	1.4%	5.6%	1.7%	1.8%	4.5%	5.0%
Equity capital	49.25	52.14	49.25	49.25	52.1	52.1
Face value	2	2	2	2	2	2
Equity shares	24.6	26.1	24.6	24.6	26.1	26.1
EPS	6.26	23.66	8.5	10.7	29.1	35.5

SOURCE : CAPITALLINE AND MSEARCH DATABASE

TECHNICAL OUTLOOK FOR JK TYRE



Accumulation Zone: 350.00 to 385.00

The stock is touching its minor support mark of ₹385.00 on the monthly charts, which should serve as a good pullback addition opportunity. Technically, the ₹350 to ₹385 zone should serve as a value buying zone, and on the upside, we can see potential targets of ₹600-₹650 in the short term. Long-term targets of ₹750 and ₹800 remain intact for the stock. The 20 EMA being around ₹300 should serve as a stop loss for the investment in JK TYRE.

By Riyank Arora
 Technical Analyst

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TECHNICAL OUTLOOK

INDEX OUTLOOK FOR THE QUARTER



Mr. Riyank Arora
Technical Analyst



Nifty currently finds immediate support at the 21,800 mark, with the next support anticipated around 21,700, and a major support being placed around the 20,900–21,000 zone. Given the quarter's volatility and impending election outcomes, the market appears to be in a volatile state and may move significantly from its current levels.

The all-time high near 22,794 and a bearish engulfing candlestick pattern, along with a potential double top possibility, have pushed the market down towards its trendline support of 21,800, from where we are seeing a bounce back. A breakout above 22,400 would extend the rally towards a new all-time high of 22,800 and eventually 23,000, leading us towards 23,500 and changing the overall market sentiment to 'buy on dips.'

However, if election results or geopolitical conditions introduce volatility and we are unable to sustain above 22,400, then we may see another round of selling towards the 20,900 to 21,000 zone. Attention should be directed toward stocks, as the sectoral index is showing extreme bullishness. Therefore, one can focus on stocks like HUL, Dabur, and Tata Consumer for the upcoming quarter.

For More Details Contact:
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MCONNECT PERFORMANCE



Sr.no	Quarterly Magazine	Date *	Company	Recommend Reported price	CMP as on 14th May, 2024	Returns %
1	April- June 2018	28-Mar-18	Zen technologies ltd	113	956	746%
2	July-Sept 2018	28-Jun-18	HDFC Life	467	565	21%
3	Oct -Dec 2018	09-Nov-18	RBL Bank	540	248	-54%
4	Jan- March 2019	21-Jan-19	Kolte Patil	253	496	96%
5	April- June 2019	22-Mar-19	IDFC First Bank	53	77	45%
6	July -Sept 2019	26-Jul-19	Bajaj Electricals Ltd*	312.5	928	197%
7	Jan- March 2020	26-Dec-19	Exide Industries	179	457	155%
8	July -Sept 2020	18-Jul-20	BEL Ltd	95	229	141%
9	Feb- March 2021	02-Mar-21	Midhani Ltd	191	432	126%
10	July- Sept 2021	14-May-21	Power Grid Invt*	100	98.2	-2%
11	Jan- March 2023	09-Jan-23	Kovai Medical Center	1735	3939	127%
12	April- June 2023	08-May-23	Nexus Select trust REIT*	95	131.75	39%
13	Oct -Dec 2023	06-Oct-23	Graphit India Ltd	504	589	17%
14	Jan- March 2024	18-Jan-24	JSW Infra Ltd	210	258	23%

*Bajaj Electricals Ltd price adjusted after demerger

*Power Grid Invt total dividend distribution is ₹ 31.5 till yet has not been calculated in above returns

*Nexus Select trust REIT total dividend distribution is ₹ 7.07 till yet has not been calculated in above returns

*Dates may vary with recommend price

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