Volume No. XII Issue No. 05 **June 19, 2020**

Goodyear India

Rs 749

Good times ahead

Sensex: 34,732 Nifty: 10,244

FINANCIALS SUMMARY

	SALES	OPM (%)	OP	OTHER INC.	PBIDT	INTEREST	PBDT	DEP.	PBT	EO	PBT AFTER EO	TOTAL TAX	PAT	EPS* (Rs)
1803 (12)	1664.69	12.1	201.67	36.65	238.32	2.89	235.43	36.15	199.28	0	199.28	69.32	129.96	56.3
1903 (12)	1911.91	8.6	164.48	37.69	202.17	3	199.17	41.03	158.14	0	158.14	56.07	102.07	44.2
2003 (12)	1745.57	7.8	135.74	35.17	170.91	3.97	166.94	50.1	116.84	0	116.84	28	88.84	38.5
2103 (12)P	1674.99	8.9	148.6	35.79	184.39	4.04	180.35	51.78	128.57	0	128.57	32.4	96.17	41.7
2203 (12)P	1875.99	10	187.6	37.94	225.54	4.36	221.17	55.92	165.25	0	165.25	41.64	123.61	53.6

*Annualised on current equity of Rs 23.07 crore. Face Value: Rs 10. (P): Projections. Figures in Rs crore.
Source: Capitaline Databases

Goodyear India is a leading tyre manufacturer in the country especially for farm equipment. The Company sells tyres of its own brand "Goodyear". The company is the subsidiary of USA based Goodyear Tire & Rubber Company which holds 74% stake in the company through Goodyear Orient Company, a private limited company.

The Company manufactures automotive bias tyres viz. farm tyres and commercial truck tyres at its Ballabgarh plant and also trades in "Goodyear" branded passenger car tyres including radial passenger tyres (consumer) manufactured by Goodyear South Asia Tyres Private Limited ('GSATPL'), Aurangabad. The Company has limited presence in Commercial category (Truck & Bus) which contributes almost half of the tyre industries' contribution. Other products which the Company markets and sells include tubes and flaps.

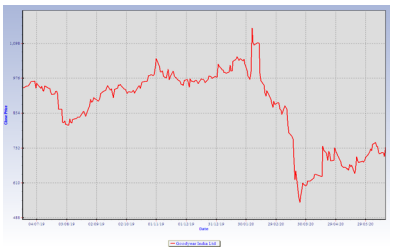
Strong brand & parentage

By virtue of Goodyear Tire & Rubber of USA being the parent company, the company uses the strong global brand of 'Goodyear' apart from technology and better management practices support from parent. This gives brand leverage in a market such as farm equipment tyre segment, where the market is dominated by local players. Further the strong global brand gives an edge in a replacement market for both farm equipment as well as passenger vehicles.

Major gainer from strong rural demand for tractors and UVs

GIL is a leading player in the Indian farm tyre market with a market share of more than 30%. The company supplies both front & rear tractor tyres to some of the major tractor OEMs like Mahindra & Mahindra (M&M) & John Deere etc.

Indian tractor industry after the continued slowdown in Q1 and Q2 of FY2020, had started showing some green shoots from December 2019 onwards, with good growth of 5% and 21% in January & February 2020 respectively. Tractor Industry growth in December 2019 to February 2020 was a result of good Rabi outlook, supported by increased government spend in rural, along with better liquidity conditions in the market leading to improved sentiments in agri and rural economy. Similar momentum was expected in March 2020. However, the industry was adversely impacted in March 2020 & April 2020 because of the nationwide lockdown due to COVID-19 outbreak. Now with relaxation in lockdown, good reservoir levels and expectation of another good monsoon etc., the demand continues to be better than last year for tractors. Its



STOCK DATA

BSE Code	:	500168
BSE Group	:	B
NSE Code	:	Not Listed
Bloomberg	:	GDYR.IN
Reuters	:	GDYR.BO
Par Value	:	Rs 10
52-week High/Low	:	Rs 1187 / Rs 531
Sector	:	Tyres

SHAREHOLDING PATTERN*

Category		% of equity
Foreign	:	4.19
Institutions	:	7.78
Govt Holding	:	0.00
Corporate Holding	:	1.42
Promoters	:	74.00
Public & Others	:	12.61

* as on 31/03/2020
Source: Capitaline Databases

key clients are ramping up production tom meet strong demand. The company being a major player in tractor tyres will be a major gainer of increased demand and production of tractors. Similarly the demand for rural focused models in utility vehicle segment and that will support demand for the company's passenger vehicle tyres of the company.

Boosting its presence in tractor and car tyre replacement segment

The company continues to focus on channel expansion to build distribution footprint in the Farm Replacement channel with an addition of over 400 + new channel partners. Similarly driving channel expansion by increasing presence of Goodyear exclusive stores in Consumer business so as to improve its reach to the consumers. So expanding distribution reach in a GST environment will help the company to better leverage its strong brand to gain more volume in replacement market.

On June 12, 2020, the Director General of Foreign Trade (DGFT) has notified that tyre imports (of all types) into India will now fall into the restricted category as against free category assigned earlier, implying imports would now require DGFT permission/licence against no such restrictions earlier. Though this notification does not put any additional duties on tyre imports as GOI has already imposed Anti-Dumping Duty in 2017 and CVD in June 2019 for Truck and Bus tyres this show the intent of the government to protect domestic tyre industry from cheap imports. This will further reduce import of tyres and support domestic tyre manufacturers especially in replacement market.

Replacement market fetches higher margins and is less cyclical than OEM market. In fact economic recession normally is positive for replacement market.

Poor tractor sales and Covid-lockdown affected FY 20

Sales for the fiscal ended March 2020 was down by 9% to Rs 1745.57 crore. An 80 bps contraction in operating profit margin to 7.8% dragged the operating profit down by 17% to Rs 135.74 crore. The fall at PBT was 26% to Rs 116.84 crore after accounting for lower other income, higher interest and depreciation. With taxation standing lower by 50% to Rs 28 crore, the fall at PAT was restricted at 13% to Rs 88.84 crore.

The sales for the quarter ended March 2020 was down by 12% to Rs 374.96 crore and with sharp 430 bps contraction in OPM to 6.2%, the operating profit was down by 48% to Rs 23.40 crore. Hit further by lower other income, higher interest and depreciation the PBT was down by 59% to Rs 17.27 crore. The PAT was eventually lower by 53% to Rs 12.70 crore.

The company continues to be a debt free company with strong cash positions. The company close fiscal ended March 31, 2020 with a cash and bank balance of Rs 546.17 crore.

Tractor sales were lower for most part of FY 20, which adversely affected the company's FY20 performance and Covid-lockdown aggravated it in Q4.

Valuation

Buoyancy in rural economy due to encouraging Rabi output, good reservoir levels, expected normal monsoon and government's focus on rural spending

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The company being a major player in tractor tyres will be a major gainer of increased demand and production of tractors. Similarly the demand for rural focused models in utility vehicle segment and that will support demand for the company's passenger vehicle tyres of the company.

and investments will boost sales growth of Goodyear India going forward. This along with lower rubber and oil prices (which determines its key raw material prices) and lower import competition will also help the company recover its OPM to its former levels.

We expect the company to register an EPS of Rs 41.7 for FY21 and Rs 53.6 for FY2022. The current price of Rs 749 discounts the projected FY22 EPS by around 14 times.

GIL is a leading player in the Indian farm tyre market with a market share of more than 30%.

GOODYEAR INDIA : RESULTS

PARTICULARS	2003 (3)	1903 (3)	VAR. (%)	2003 (12)	1903 (12)	VAR. (%)
Sales	374.96	423.88	-12	1745.57	1911.91	-9
OPM (%)	6.2	10.5		7.8	8.6	
OP	23.40	44.66	-48	135.74	164.48	-17
Other income	8.06	8.84	-9	35.17	37.69	-7
PBIDT	31.46	53.50	-41	170.91	202.17	-15
Interest	0.98	0.77	27	3.97	3.00	32
PBDT	30.48	52.73	-42	166.94	199.17	-16
Depreciation	13.21	10.50	26	50.10	41.03	22
PBT	17.27	42.23	-59	116.84	158.14	-26
EO	0.00	0.00		0.00	0.00	
PBT after EO	17.27	42.23	-59	116.84	158.14	-26
Current tax	4.57	15.37	-70	28.00	56.07	-50
PAT	12.70	26.86	-53	88.84	102.07	-13
EPS* (Rs)	#	#		38.5	44.2	

* Annualised on current equity of Rs 23.07 crore. Face Value: Rs 10. Var. (%) exceeding 999 has been truncated to 999.
LP: Loss to Profit PL: Profit to Loss. EO: Extraordinary items. EPS is calculated after excluding EO and relevant tax.
EPS can not be annualised due to seasonality in business. Figures in Rs crore.
Source: Capitaline Corporate Database