

## General Tyres: Countdown

### Earnings increase going forward also ...

We have updated our model on GTYR wherein we expect the tyre producer to report FY16 EPS of Rs20.42 which is actually a jump from Rs 12.26 reported in FY15. GTYR has a historical payout ratio of 57% and by virtue of that the company could pass dividend in the range of Rs11 – 12/sh as against Rs7/sh reported last year.

Auto parts & accessories dealers are anxiously waiting for GTYR tubeless tyres in motor cycle segment wherein Atlas Honda Motorcycle (ATLH), which is a big player in the category, is also coincidentally bringing its expansion in the same period. We expect this to be big earnings trigger going forward.

### Noticeable cost benefit....

Our assumption on increase in earnings is based on slight increase in sales price per tyre alongside downside in cost per tyre given decreasing rubber price trend in international market. Even though, price trend had shown some recovery in June '16.

Going forward, we see rubber prices to remain range bound and thus we don't see any immediate risk to our FY17 estimations.

### Sales growth in most of the spheres...

- Increase in motorcycle tyre sales up to our estimated 800k as against 723k reported last year;
- Simultaneously we also see growth in passenger car tyres sales to 865k as against reported 802k in FY15;
- GTYR truck tyre segment is also yielding fruits since 2008. We expect sales of around 511k in the outgoing fiscal as against 387k in FY15

### Margins improving; financial charges also decreased

- As mentioned earlier, raw material prices went down in 4Q; wherein we expect gross margins to increase up to 23% from 20% reported in FY15. This is also in line with our assumption of 4% increase in tyre prices of encompassing various sizes and decreasing effect on cost per tyre.
- Impact of financial charges to be healthy given lowering markups alongside declining liability

### Valuations...

- We expect GTYR FY16 & FY17 EPS of Rs20.4/sh & Rs23.3/sh respectively translating into FY16 PE of 11x & FY17PE 8x respectively.

Analyst:

Faisal Shaji

[faisalshaji@scstrade.com](mailto:faisalshaji@scstrade.com)

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### GTYR @195

52 Week Low 140.0

52 Week High 202.8

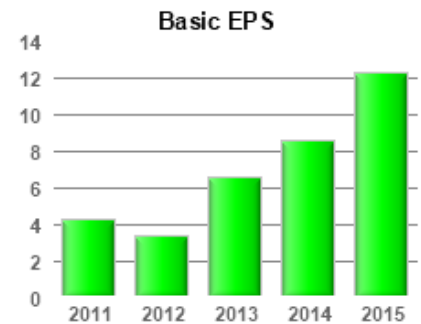
Market Cap Rs11.63bn

Enterprise Val Rs12.7bn

EV/share Rs211.74/sh

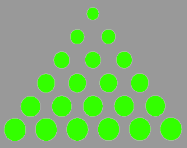
**GTYR holds nearly 100k shares of associate Ghandhara Nissan (GHNL) as at reported 9MFY16**

**EPS increasing post expansion phase in existing vicinity at Landhi Karachi**



### Outperforming





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