INDIAN JOURNAL OF LEGAL REVIEW

VOLUME 5 AND ISSUE 11 OF 2025

INSTITUTE OF LEGAL EDUCATION

INDIAN JOURNAL OF LEGAL REVIEW

APIS – 3920 – 0001 | ISSN - 2583-2344

(Open Access Journal)

Journal's Home Page – https://ijlr.iledu.in/

Journal's Editorial Page - https://ijlr.iledu.in/editorial-board/

Volume 5 and Issue 11 of 2025 (Access Full Issue on - https://ijlr.iledu.in/volume-5-and-issue-11-of-2025/)

Publisher

Prasanna S,

Chairman of Institute of Legal Education

No. 08, Arul Nagar, Seera Thoppu,

Maudhanda Kurichi, Srirangam,

Tiruchirappalli – 620102

Phone : +91 94896 71437 - info@iledu.in / Chairman@iledu.in

Published by
Institute of Legal Education
https://iledu.in

DEAL ANALYSIS BETWEEN JK TYRE AND CAVENDISH INDUSTRIES: A MATCH MADE IN HEAVEN?

AUTHOR - ABHINN M AADRIT, STUDENT AT WEST BENGAL NATIONAL UNIVERSITY OF JURIDICAL SCIENCES, KOLKATA

BEST CITATION – ABHINN M AADRIT, DEAL ANALYSIS BETWEEN JK TYRE AND CAVENDISH INDUSTRIES: A MATCH MADE IN HEAVEN?, *INDIAN JOURNAL OF LEGAL REVIEW (IJLR)*, 5 (11) OF 2025, PG. 58-69, APIS – 3920 – 0001 & ISSN - 2583-2344.

INTRODUCTION

JK Tyre & Industries Ltd., also referred to as JK Tyre, is a prominent global participant in the tyre industry and one of the top tyre producers in India. The company was founded in 1951 and is a part of the broader JK Organisation, a conglomerate of businesses with an extensive array of operations. The wide range of products of JK Tyre is widely recognized, with the products encompassing tyres for automobiles, trucks, buses, agricultural tractors, and industrial machines. The company has established a solid reputation for technological innovation, high-quality products, and customer support throughout the years.[107]

[107] Business Standard, JK Tyre & Industries Ltd, Business Standard (2025), https://www.business-standard.com/markets/jk-tyre-industries-ltd-share-price-304.html.

Apart from a significant domestic market presence, JK Tyre is also a major exporter of tyres to over a hundred countries. They were among the pioneers in introducing radial technology in India, which played a key role in transforming the tyre industry. In terms of manufacturing, JK Tyre boasts a total of twelve production plants, with nine located in India and three plants situated overseas in Mexico. The company also significantly focuses on its research and development, and invests for the same. They ensure that they always are a step ahead in the global market, which is becoming extremely competitive, by actively focusing on sustainable, and high-performance products.[108]

Cavendish Industries Ltd. (CIL) was initially a part of Kesoram Industries Limited, which is known for its ventures in cement, tyres, rayon, and chemicals, and is one of the oldest and vastest businesses in India. Cavendish found its origins as a subsidiary focusing on tyre manufacturing, particularly under the Birla Tyres brand. At the time, Birla Tyres had successfully established itself as a key player in the Indian tyre market, providing for both passenger and commercial vehicles.[109]

A manufacturing facility located in Haridwar, Uttarakhand was one of CIL's most significant assets. This facility was intrinsically linked to the company's operations, and extremely crucial for them. The said facility was focused on producing a wide range of tyres, including truck and bus radial (TBR) tyres, passenger car radial (PCR) tyres, and two-wheeler tyres. The Haridwar plant was strategically positioned, with its location being optimum in order to cater to both the northern Indian market and other parts of the country. The plant possessed a manufacturing capacity designed to meet the growing demands of commercial vehicles and passenger cars as sectors in the Indian economy. The plant stayed open to the concept of modern technologies and processes, and adapted with them in order to meet the rising global standards of tyre manufacturing.

BACKGROUND BEHIND THE DEAL

Despite the initial promises that were shown, Cavendish Industries started facing multiple challenges. This was primarily due to financial difficulties that its parent company, Kesoram Industries found itself in. At the same time, the tyre industry was undergoing rapid technological shifts, with a requirement for significant investment in research, development, and infrastructure to stay on par with the global competition. Cavendish, however, found itself constrained by liquidity issues and mounting operational costs, which severely limited its ability to innovate and remain competitive in the market.[110]

This situation led to Kesoram Industries' decision to divest Cavendish, creating an opportunity for acquisition. This opened the perfect opportunity for JK Tyre & Industries, which had been looking to strengthen its position in the radial tyre market particularly in the commercial segment. JK Tyre identified a great potential waiting for them, which could be realized by acquiring Cavendish Industries. In 2016, JK Tyre sieged the opportunity with both hands and completed the acquisition of CIL for around ₹2,200 crore, including the Haridwar manufacturing plant. This acquisition pushed JK Tyre's production capacity exponentially, particularly in the TBR segment. The passenger car and two-wheeler segments also grew substantially, allowing the company to expand its product offerings, which subsequently skyrocketed their market share.[111]

Furthermore, JK Tyre were able leverage the existing production capabilities and workforce, while benefiting from the expanded reach and customer base. This was a direct result of the integration of CIL into the company. For Cavendish, this acquisition made sense as it

[108] JK Tyre, Integrated Annual Report 2022-23, JK Tyre (2024), https://www.jktyre.com/Annual/JK_Tyre__IAR_2023-24.pdf.
[109] M&A Critique, JK Tyre Acquisition, M&A Critique (June 15, 2016), https://mnacritique.mergersindia.com/jk-tyre-acquisition-cavendish/.
[110] Amrit Raj, JK Tyre completes Rs2,195 crore Cavendish Industries acquisition, Live Mint (Apr. 19, 2016), https://www.livemint.com/Companies/Dqzxj9ETcjdRNIXrp7PRBI/JK-Tyre-completes-Cavendish-Industries-acquisition-for-Rs21.html.
[111] Id.

provided the financial stability it lacked under Kesoram. The company secured a fresh opportunity to flourish under the aegis of one of the largest Indian tyre manufacturers.[112]

Post this acquisition, the Haridwar plant naturally became one of JK Tyre's major production hubs. As intended, this helped the company meet the rising demand for both domestic and export markets. In a nutshell, the deal made perfect logical sense for both parties, allowing Cavendish to continue its operations, while simultaneously contributing to the rapid growth of JK Tyre's market leadership in both the domestic and global tyre industries.[113]

ACQUISITION OF CAVENDISH INDUSTRIES LIMITED BY JK TYRES IN 2016

Overview of the Deal

JK Tyres, along with its wholly owned subsidiary JK Asia Pacific (S) Pte Limited, announced the successful completion of its acquisition of Cavendish Industries Ltd. (CIL), in a press release dated 18th April, 2016. These plants, located in Laksar, Haridwar, are involved in the production of a wide range of tyres, tubes, and flaps. This strategic acquisition expands JK Tyre's footprint significantly, making it a company with a total of twelve manufacturing facilities, with a nine in India and three in Mexico.[114]

The deal, valued at INR 2200 crore, was a hugely significant move in JK Tyre's strategy to enhance its presence in both the domestic and global markets. With this acquisition being completed, CIL became a subsidiary of JK Tyre, with the majority of its shareholding held directly by JK Tyre and the remainder through its subsidiaries and other JK Group companies. The transaction was financed through a combination of internal accruals and debt, which demonstrated extremely prudent financial planning on JK Tyre's end in order to fund this significant purchase.[115]

The press release posted by JK Tyres stated that the acquisition aligned perfectly in order with the company's strategic vision of becoming one of the leading tyre manufacturers in the global market. By adding CIL's manufacturing capacity, the company increased its output while also broadening its product offerings across different segments. The acquisition was particularly important for JK Tyre's Truck & Bus Radial (TBR) segment, a high-growth area in which JK Tyre claimed to already hold a dominant position. The additional capacity provided by CIL seeked to strengthen its leadership in this segment, ensuring it could meet the ever-increasing demand for TBR tyres in both domestic and international markets.[116]

Moreover, this acquisition also allowed JK Tyre to enter the rapidly expanding two-wheeler and three-wheeler tyre markets, which were identified as areas for growth in the near future. These segments of the market were driven by rising vehicle ownership and infrastructure improvements in India, and hence offered substantial opportunities for revenue generation. The acquisition of CIL, therefore, was not just strategically significant but was also furthermore expected to enhance the earnings of the company. Along with these, the move was looked upon as being synergistic with their existing business operations, allowing JK Tyre to leverage CIL's manufacturing capabilities for increased market penetration.[117]

Speaking on the occasion, Dr. Raghupati Singhania, Chairman and Managing Director of JK Tyre, emphasized the importance of this acquisition in consolidating JK Tyre's market leadership, especially in the TBR segment. He also highlighted the company's strong R&D facilities and their strategically located manufacturing plants, which now included twelve plants across India and Mexico. Dr.

---

[112] JK Tyre, Annual Report 2019-20, JK Tyre (2020), https://www.jktyre.com/Annual/280802.pdf.
[113] Id.
[114] JK Tyre, JK Tyre Completes Acquisition of Laksar (Haridwar) Tyre unit of Kesoram Industries Ltd., JK Tyre (Apr. 18, 2016), https://www.jktyre.com/pressreleasedetails.aspx?id=gRyJVFLmzRk=.
[115] Id.
[116] Id.
[117] Id.

Singhania stated that these factors, combined with the company's expanded production capacity, positioned JK Tyre for sustainable growth in the upcoming years.[118]

By completing this acquisition, JK Tyre's attempt was to fortify its position in the tyre industry and also simultaneously ensure that it remains responsive to the evolving needs of its customers in both the domestic and global markets. With the addition of CIL's manufacturing capacity, JK Tyre standed much better equipped to continue its trajectory of growth. The acquisition would help JK Tyre meet the challenges of the tyre industry, which keeps constantly evolving with new technologies and growing customer expectations.[119]

Details of the Deal

Pursuant to the approval granted by its Board of Directors in their meeting held on September 12, 2015, JK Tyres completed the acquisition of 64% shareholding in Cavendish Industries Limited (CIL) on April 13, 2016 for an amount of Rs. 448.05 crores. CIL has a tyre manufacturing plant at Laksar, Uttarakhand, where it manufactures a range of tyres, tubes and flaps. The remaining 36% shareholding in CIL has been acquired by Associates / Group Companies on the same date.[120]

In the annual report for the year 2015-16, the Directors of JK Tyres announced the acquisition of Cavendish Industries Ltd. (Cavendish), effective 13th April, 2016. Cavendish houses three tyre plants, located in Laksar (Haridwar) which manufacture a wide range of tyres, tubes and flaps. With this acquisition, JK Tyre has aggregated twelve tyre plants - nine in India and three in Mexico. The acquisition, undertaken at an Enterprise Value of Rs. 2,170 crores, was funded by a combination of equity and debt. Post-acquisition, Cavendish has become a subsidiary with eighty percent shareholding held by the Company along with a subsidiary and the balance through associates / group companies.[121]

In a nutshell, JK Tyre acquired a 64% stake in Cavendish, with the remaining stake held by Bengal & Assam and Valiant.[122] The acquisition was funded through a combination of internal accruals of ₹700 crore and debt of ₹1,400 crore.[123]

INCREASE IN STAKES OF JK TYRES IN CAVENDISH INDUSTRIES LIMITIED IN 2020

Overview of the Deal

In March 2020, JK Tyre & Industries Ltd. announced plans to increase its stake in Cavendish Industries, a subsidiary company. At the time, JK Tyre held 69% of the equity shares in Cavendish, with an additional 16% held by its Mexican subsidiary, JK Tornel SA De CV. To further consolidate its control over Cavendish, JK Tyre planned to issue preferential equity shares worth up to ₹75 crore. This move was aimed at raising long-term finance to support the company's growth initiatives and strengthen its financial position.[124]

The acquisition of the additional equity shares was expected to be finalized within 15 days, increasing JK Tyre's total shareholding in Cavendish from 85% to 86.41%. This strategic increase in stake reflected JK Tyre's ongoing efforts to streamline operations and bolster its presence in the tyre market, particularly in the Truck & Bus Radial (TBR) segment, where Cavendish played a crucial role in production.[125]

Details of the Deal

The Company consolidated its shareholding in Cavendish Industries Limited, a subsidiary, by

---

118 ET Now, Cavendish Industries Now JK Tyres - Raghupati Singhania Chairman - MD JK Tyres, YouTube (Apr. 18, 2016), https://www.youtube.com/watch?v=VAHEZ2DFRa0.
119 Supra note 8.
120 JK Tyre, Annual Report 2015-16, JK Tyre, 109 (2016), https://www.jktyre.com/AnnualReport2015-16.pdf.
121 *Id*, 42.
122 Supra note 4.
123 S.R. Singh, JK Tyre completes acquisition of BK Birla's tyre business at ₹2,200 cr, The Hindu (Apr. 18, 2016), https://www.thehindubusinessline.com/companies/jk-tyre-completes-acquisition-of-bk-birlas-tyre-business-at-2200-cr/article64334579.ece.
124 Business World, JK Tyre To Raise Stake In Subsidiary Cavendish Industries, Business World (Mar. 26, 2020), https://businessworld.in/article/jk-tyre-to-raise-stake-in-subsidiary-cavendish-industries-187363#:~:text=JK%20Tyre%20and%20Industries%20said,25%20manufacturers%20in%20the%20world..
125 Id.

further acquiring 76,70,000 Equity Shares of Rs. 10 each, thereby raising its shareholding to 86.41% together with another subsidiary.[126]

MERGER OF CAVENDISH INDUSTRIES LIMITES INTO JK TYRES IN 2024

Parent-Subsidiary Merger

A parent-subsidiary merger occurs when a parent company merges with its subsidiary, typically to consolidate operations, streamline processes, and reduce administrative or legal complexities.[127] In such mergers, the parent company often holds a majority stake in the subsidiary, simplifying the merger process as shareholder approvals and regulatory requirements are usually less stringent compared to mergers between two independent entities.[128]

Parent-subsidiary mergers may be upstream or downstream. A parent-subsidiary upstream merger is a merger of a subsidiary business entity into its parent business entity, with the parent business entity surviving.[129] The merger between JK Tyres and CIL is an example of a parent-subsidiary upstream merger.

Overview of the Deal

JK Tyre & Industries Limited merged with Cavendish Industries Limited in a strategic decision aimed at enhancing operational efficiencies and strengthening its market presence. The board of JK Tyre has approved the merger of Cavendish Industries into the company for operational efficiencies, and the amalgamation will result in a share transfer, the company said on 16th September, 2024.[130] This move will also allow JK Tyre to expand its product offerings, enabling it to cater more effectively to growing market demands and improving its competitive edge.[131]

In addition, the merger is set to boost shareholder value through improved financial performance and operational synergy. The consolidation of sales and distribution networks will allow the company to tap into new markets more efficiently, while the integration of resources is expected to reduce overall costs, thereby enhancing profitability.[132] These strategic benefits will position JK Tyre for sustained growth in the future.

Details of the Deal

The total consideration for the merger between JK Tyre & Industries Limited and Cavendish Industries Limited was valued at ₹40 billion.[133] Legal guidance for the merger was provided by Khaitan & Co, ensuring a smooth transition.[134] As part of the merger terms, Cavendish shareholders will receive 92 JK Tyre shares for every 100 Cavendish shares they hold. This share exchange ratio reflects the strategic importance of the merger, balancing the interests of both companies' shareholders.[135]

The merger will result in a slight adjustment to JK Tyre's shareholding structure, with the promoter's stake decreasing to 49.31%.[136] Despite this minor change, the market responded positively to the news, with JK Tyre's stock witnessing a 3% increase following the announcement.[137] The merger is expected to provide significant benefits in terms of operational efficiency and market expansion,

[126] Supra note 6, At 93.
[127] Sandra Feldman, The different types and methods of mergers and acquisitions, Wolters Kluwer (Aug. 7, 2024), https://www.wolterskluwer.com/en/expert-insights/the-different-types-and-methods-of-mergers-and-acquisitions#:~:text=Parent%2Dsubsidiary%20merger&text=Parent%2Dsubsidiary%20mergers%20may%20be,the%20parent%20business%20entity%20surviving..
[128] Accounting Insights Team, Financial and Strategic Insights for Merging Subsidiaries, Accounting Insights (Sep. 22, 2024), https://accountinginsights.org/financial-and-strategic-insights-for-merging-subsidiaries/.
[129] Supra note 21.
[130] Money Control, JK Tyre approves merger of Cavendish Industries into the company, Money Control (Sep. 16, 2024), https://www.moneycontrol.com/news/business/markets/jk-tyre-approves-merger-of-cavendish-industries-12823013.html.
[131] Construction World, JK Tyre's Board approves merger with Cavendish Industries, Construction World (Sep. 19, 2024), https://www.constructionworld.in/policy-updates-and-economic-news/jk-tyres-board-approves-merger-with-cavendish-industries/62696.
[132] Supra note 24.
[133] Bar & Bench, Khaitan & Co acts on JK Tyre INR 40 billion merger, Bar & Bench (Sep. 27, 2024), https://www.barandbench.com/law-firms/dealstreet/khaitan-co-acts-on-jk-tyre-inr-40-billion-merger.
[134] Id.
[135] Ventura, Merger with Cavendish Industries boosts JK Tyre shares, Ventura (Sep. 17, 2024), https://www.venturasecurities.com/news/stocks/merger-with-cavendish-industries-boosts-jk-tyre-shares/#:~:text=Share%20transfer%20details%20for%20Cavendish,truck%20and%20bus%20radial%20segment..
[136] Id.
[137] Supra note 25.

INDIAN JOURNAL OF LEGAL REVIEW [IJLR – IF SCORE – 7.58]
VOLUME 5 AND ISSUE 11 OF 2025
APIS – 3920 - 0001 *(and)* ISSN - 2583-2344
Published by
Institute of Legal Education
https://iledu.in

contributing to the company's future growth trajectory.

THE ACQUISITION (2016-2024): A SUCCESS STORY OR A TALE OF FAILURE?

Financial Year 2015-16

JK Tyre's acquisition of Cavendish Industries, which included three units in Haridwar producing truck-bus radial tyres, bias-ply tyres, and two- and three-wheeler tyres, marked a significant strategic expansion for the company. This move not only added manufacturing capacity but also completed JK Tyre's product portfolio by entering the two- and three-wheeler tyre market, a segment where the company had previously lacked presence. The diversification allowed JK Tyre to address a broader range of consumer demands, improving its competitive standing within the tyre industry. The location of the Haridwar plants also provided the company with important tax advantages, further bolstering operational efficiency and cost-effectiveness.[138]

In economic terms, JK Tyre's optimism following the acquisition was rooted in both external and internal factors. The projected revival of monsoon rains and expectations of an economic recovery created a favorable environment for growth in the tyre sector. By addressing a critical product gap, JK Tyre was positioned to offer a more comprehensive range of products at various price points. Additionally, the company's venture into e-commerce by offering its products online demonstrated its ability to adapt to emerging market trends, especially within the rapidly expanding digital economy. This approach not only improved market reach but also enhanced customer accessibility, enabling JK Tyre to capitalize on the growing e-commerce market in India.[139]

Financial Year 2016-17

JK Tyre's acquisition of Cavendish Industries Limited (CIL) proved to be a strategic success, as the company managed to turn around operations within the first year. This rapid transformation was achieved by optimizing workforce strength, reducing conversion costs, and applying value engineering. Specifically, the workforce was reduced by one-third, leading to a 40% decrease in conversion costs between the first and fourth quarters. Waste reduction efforts resulted in a 60% decrease in bias tyre manufacturing wastage, while truck radial production was significantly ramped up. Despite rising raw material costs, JK Tyre effectively leveraged its manufacturing expertise to achieve these improvements.[140]

The acquisition also expanded JK Tyre's product portfolio, providing access to 1.2 million units of truck radials, as well as increased capacity for farm and other bias tyres. With the introduction of new tyre sizes, the company anticipated a stronger market presence in the high-growth two- and three-wheeler segments. Moreover, the acquisition allowed JK Tyre to implement a multi-tier product strategy in the truck segment, offering products across premium, mid-tier, and value price points through its JK Tyre, Vikrant, and Challenger brands, respectively. This enabled the company to strengthen its leadership in the truck radial segment, a market it pioneered in India.[141]

Significantly, Cavendish operations turned profitable within the first year, with CIL generating a turnover of ₹1,171.28 crore and a profit before tax (PBT) of ₹36.47 crore. Prior to the acquisition, CIL's operations had been shut down for several months, and JK Tyre deployed considerable resources to restart production. This strategic acquisition not only revitalized Cavendish's operations but also bolstered JK Tyre's market leadership in various segments.[142]

Financial Year 2017-18

After the acquisition, Cavendish Industries Ltd. (CIL) completed its first full year of operations in

[138] Supra note 14, At 20.
[139] Id, At 26.
[140] JK Tyre, Annual Report 2016-17, JK Tyre, 18 (2017), https://www.jktyre.com/admin/Annual/JKTyre%20Final%20LR.PDF.
[141] Id, At 48.
[142] Id, At 67.

FY 2017-18, marking a significant milestone. The acquisition allowed JK Tyre to enter the two- and three-wheeler tyre segments, and during the year, several two-wheeler manufacturers showed interest in JK Tyre's offerings. This positioned the company well for further growth in this segment. The acquisition also solidified JK Tyre's leadership in the Truck and Bus Radial (TBR) market, with radialisation in this segment rising to 47% during the same year. In response to increasing demand, JK Tyre expanded its TBR capacity at CIL.[143]

Operational integration between Cavendish and JK Tyre was successful, as reflected by the company's strong financial performance. CIL's turnover grew from ₹1,171.28 crores to ₹1,670.47 crores, marking a 43% increase. Additionally, significant improvements in capacity utilisation during FY 2017-18 indicated that operations had stabilised, and the company was poised to establish new benchmarks in performance.[144]

Financial Year 2018-19

During the year under review, the Cavendish plant of JK Tyre achieved a capacity utilization rate of 81%. This facility, which expanded JK Tyre's portfolio to include two- and three-wheeler tyres, played a crucial role in increasing the proportion of value-added products. The successful turnaround of the Cavendish unit marked a major milestone for the company, elevating it to a new competitive league within the tyre industry.[145]

Cavendish Industries Ltd. (CIL) reported a notable financial improvement during the year, with turnover growing from ₹1,670 crores to ₹2,316 crores, a 39% increase. Capacity utilization at all three of CIL's manufacturing plants saw a significant rise. The expansion of Truck and Bus Radial (TBR) production was completed in phases, with full benefits expected in the coming years. Additionally, JK Tyre commenced the next phase of expanding its TBR and tractor rear tyre capacity at an estimated cost of ₹675 crores, further reinforcing its leadership in the TBR segment.[146]

Financial Year 2019-20

The Cavendish operations of JK Tyre played a crucial role in the production of 20 million Truck and Bus Radial (TBR) tyres.[147] While the company experienced steady operational improvements throughout the year, the last quarter faced challenges due to market disruptions caused by the coronavirus pandemic. Despite a slowdown in the automobile industry, Cavendish Industries achieved a turnover of ₹2,221 crores, reflecting a marginal decline of 4.1%. Notably, the operating margin remained stable at 11.7% of net sales, and the company experienced significant growth of over 27% in the two- and three-wheeler segment.[148]

Financial Year 2020-21

Cavendish Industries Ltd. achieved revenues of ₹2,571 crores, marking a significant transformation in operations that greatly contributed to the overall performance of JK Tyre.[149] This growth was characterized by consistent revenue increases, high capacity utilization, and efficiency improvements across the board.[150] In FY 2020-21, JK Tyre reported robust revenue growth and the highest profitability in its history, with capacity utilization exceeding 90% at all plants during the second half of the financial year. The contributions of subsidiaries like Cavendish Industries were pivotal in achieving these remarkable results, reinforcing the company's strong market position.[151]

Despite the severe impact of lockdown measures during the first quarter, Cavendish Industries reached an unprecedented turnover

143 JK Tyre, Annual Report 2017-18, JK Tyre, 9 (2017), https://www.jktyre.com/admin/Annual/JK%20Tyre%20AR1%202017-18.pdf.
144 Id, At 59.
145 JK Tyre, Annual Report 2018-19, JK Tyre, 14 (2019), https://www.jktyre.com/Annual/JK%20TyrefinalAnnualReport%202018-19.pdf.
146 Id, At 80.
147 Supra note 6, At 13.
148 Id, At 100.
149 JK Tyre, Annual Report 2020-21, JK Tyre, 14 (2021), https://www.jktyre.com/Annual/2082021.pdf.
150 Id, At 21.
151 Id, At 122.

INDIAN JOURNAL OF LEGAL REVIEW [IJLR – IF SCORE – 7.58]

VOLUME 5 AND ISSUE 11 OF 2025

APIS – 3920 - 0001 *(and)* ISSN - 2583-2344

Published by

Institute of Legal Education

https://iledu.in

of ₹2,571 crores, reflecting an impressive growth of 16% compared to the previous year. Additionally, production tonnage grew by 17%, leading to significant cost improvements in all operational areas. Consequently, this operational success translated into enhanced profitability, with operating margins reaching 15.5%.[152]

Financial Year 2021-22

During the year under review, JK Tyre increased its shareholding in Cavendish Industries Ltd. from 71.91% to 74.13% on a standalone basis and from 86.41% to 87.46% when combined with another subsidiary. This increase followed an investment in a rights issue, where the company acquired 4,787,679 equity shares at ₹155 per share.[153] As a result, Cavendish Industries reported impressive growth of 16%, achieving a record turnover of ₹2,988 crores, a substantial increase compared to the previous year. This growth spanned across all product categories, including Truck Bias, Truck Radial, and two- and three-wheeler tyres.[154]

In addition to these achievements, Cavendish launched a new range of tubeless truck radial tyres aimed at various global markets. The company also expanded its partnerships with new Original Equipment Manufacturers (OEMs) such as Electrotherm India and Coslight India for the supply of electric vehicle (EV) two- and three-wheeler tyres.[155]

Operationally, Cavendish maintained high efficiency levels in energy consumption and manpower productivity. However, the company faced challenges from a steep increase in input costs of approximately 28%, which were not offset by a corresponding rise in selling prices, adversely affecting margins.[156] Despite these challenges, the company earned several accolades, including the 'Sword of Honour' from the British Safety Council and a 'Silver Category' Best Supplier award from Tata Motors. These accomplishments highlight the resilience and growth potential of Cavendish Industries within a competitive landscape.[157]

Financial Year 2022-23

During the financial year, Cavendish Industries achieved record production levels across all product categories, resulting in a remarkable turnover of ₹3,869 crores, representing a 29% increase over the previous year. This achievement reflects all-around progress within the company and underscores the effectiveness of the operational strategies implemented post-acquisition.[158] In a bid to sustain this growth momentum, JK Tyre committed to a capital expenditure (Capex) plan of ₹1,100 crores over the next two years. This investment will focus on expanding Truck Bus Radial (TBR) production at Cavendish Industries and enhancing Passenger Car Radial (PCR) capacity at the Banmore plant.[159]

The year also saw the company receiving several accolades, highlighting the synergistic benefits gained from the acquisition of Cavendish. The integration has not only fortified JK Tyre's product portfolio but has also improved its financial standing. With high-capacity utilization and significant advancements in operational efficiencies, Cavendish Industries demonstrated a satisfactory performance amid stable raw material prices.[160]

Moreover, on the energy front, the company recorded significant reductions in power and steam consumption, showcasing its commitment to efficiency. New sizes were introduced for production, catering to both domestic and export markets. The combination of good capacity utilization, improved operational efficiencies, and stable raw

---

152 Id.
153 JK Tyre, Annual Report 2021-22, JK Tyre, 129 (2022), https://www.jktyre.com/Annual/JK_Tyre_IAR_2021-22.pdf.
154 Id, At 119.
155 Id, At 141.
156 Id, At 119.
157 Id, At 141.
158 JK Tyre, Annual Report 2022-23, JK Tyre, 35 (2023), https://www.jktyre.com/Annual/JK%20Tyre%20IR%202022-23.pdf.
159 Id, At 56.
160 Id, At 131.

material costs suggests a promising outlook for Cavendish Industries in the future.[161]

Financial Year 2023-24

Cavendish Industries Ltd. significantly increased its profitability during the year under review, thanks to improved operational efficiencies and enhanced capacity utilization, particularly in the Truck Radial Tyre (TBR) segment.[162] The company focused on diversifying its product offerings while implementing technology-driven manufacturing processes. This strategic emphasis on cost reductions, coupled with the introduction of new products for both domestic and export markets, has yielded a notable improvement in financial performance. A significant number of tech-enabled initiatives, including digitalization for end-to-end traceability, were also undertaken to modernize the manufacturing process. The ongoing TBR capacity expansion project is progressing as planned, setting the stage for future growth.[163]

The year marked high operational efficiency and substantial profitability growth as key achievements for Cavendish Industries. Various cost-saving projects contributed significantly to this success, and TBR sales experienced an upward trend. The company launched over 50 new products in various sizes and patterns, covering categories such as Truck/Bus Radial, Bias, light commercial vehicles, motorcycles, scooters, and tubeless three-wheeler tyres. The eco-friendly ethos cultivated at CIL plants since the acquisition in 2017-18 became evident through a notable reduction in energy consumption, decreased greenhouse gas emissions, and lower water usage.[164]

Cavendish Industries received accolades such as the Golden Peacock Award for Energy Efficiency, recognition for quality improvements nationally and internationally, and awards for safety, quality, and environmental conservation. The company's community engagement initiatives, including flood relief efforts, were well-received by stakeholders, further enhancing its reputation and commitment to social responsibility.[165]

Verdict

The acquisition of Cavendish Industries by JK Tyres in April 2016 stands out as a resounding success, showcasing strategic foresight and operational excellence. Initially, JK Tyres expanded its manufacturing capabilities by integrating Cavendish's three plants in Haridwar, which allowed it to enter the two- and three-wheeler tyre markets, thereby diversifying its product offerings and enhancing its competitive edge.

In the subsequent years, the operational turnaround at Cavendish was remarkable. By FY 2016-17, JK Tyres had optimized its workforce, reducing costs while improving production efficiency. The company recorded a turnover of ₹1,171.28 crore and a profit before tax of ₹36.47 crore, reversing a previously stagnant operation. Furthermore, the expansion into TBRs (Truck Bus Radial) and the introduction of new products played a pivotal role in establishing JK Tyres as a market leader in this segment.

The financial performance continued to improve in subsequent years, with Cavendish achieving a turnover of ₹2,988 crore by FY 2021-22, marking a 16% increase over the previous year. Even the advent of COVID-19 and the subsequent lockdown did not slow the profits down, with Cavendish continuing to thrive through the tough times. The company's commitment to technological advancements, such as digitalization for end-to-end traceability, showcased a strategic embrace of modern manufacturing practices. Moreover, accolades for safety and energy efficiency underscore the operational success and commitment to sustainability.

Cavendish's consistent revenue growth, high-capacity utilization, and introduction of over 50 new products across various segments reflect a

161 Id, Atv 153.
162 JK Tyre, Annual Report 2023-24, JK Tyre, 19 (2024), https://www.jktyre.com/Annual/JK_Tyre__IAR_2023-24.pdf.
163 Id, At 104.
164 Id, At 127.
165 Id, At 128.

well-executed integration strategy. By FY 2022-23, Cavendish Industries reached a record turnover of ₹3,869 crore, a 29% increase from the prior year, reinforcing its successful turnaround.

However, challenges remained, particularly concerning rising input costs which negatively impacted profit margin. Yet, the overall trajectory of the acquisition indicates a robust capacity for growth and a solid return on investment.

Looking at these factors and statistics, the strategic acquisition of Cavendish Industries by JK Tyres can be categorized as a success. The venture not only broadened JK Tyres' product portfolio but also strengthened its position in the tyre market, demonstrating effective operational integration and a commitment to sustainability. The notable growth in turnover and profitability, alongside strategic initiatives and awards received, further corroborate the acquisition's success.

THE RECENT MERGER: WHAT NEXT?

On September 17, shares of JK Tyre surged following the board's approval for the merger with Cavendish Industries.[166] This strategic move aims to enhance operational efficiency by consolidating the sales and distribution networks of both companies. Under the terms of the merger, Cavendish shareholders will receive 92 JK Tyre shares for every 100 shares they hold, which is designed to create value for shareholders of both entities.[167]

The amalgamation is expected to streamline operations significantly, thereby reducing costs and bolstering competitiveness within the tyre industry. By consolidating all related businesses under one umbrella, JK Tyre positions itself for future growth while maximizing shareholder returns. This merger is not just a financial restructuring; it represents a natural consolidation that allows JK Tyre to leverage synergies to strengthen its market position.[168]

Furthermore, JK Tyre's recent share allotment and capital restructuring initiatives have fortified its financial standing, making it an attractive option for investors. Over the past year, JK Tyre's stock has experienced substantial growth, climbing 73%, which highlights investor confidence in the company's strategic direction and operational capabilities.[169]

As the market watches these developments closely, JK Tyre's proactive approach to growth and consolidation indicates a focus on enhancing its competitive edge in the tyre sector. The merger with Cavendish Industries stands as a pivotal step that could further elevate JK Tyre's market performance, making it a stock to keep an eye on for potential investors looking for robust opportunities in the share market.[170]

REFERENCES

- Business Standard, JK Tyre & Industries Ltd, Business Standard (2025), https://www.business-standard.com/markets/jk-tyre-industries-ltd-share-price-304.html.
- JK Tyre, Integrated Annual Report 2022-23, JK Tyre (2024), https://www.jktyre.com/Annual/JK_Tyre__IAR_2023-24.pdf.
- M&A Critique, JK Tyre Acquisition, M&A Critique (June 15, 2016), https://mnacritique.mergersindia.com/jk-tyre-acquisition-cavendish/.
- Amrit Raj, JK Tyre completes Rs2,195 crore Cavendish Industries acquisition, Live Mint (Apr. 19, 2016), https://www.livemint.com/Companies/DqzxJ9ET

[166] Supra note 29.
[167] Meghana Sen, Here is how JK Tyre shares are trading post merger announcement with Cavendish, CNBC TV (Sep. 17, 2024), https://www.cnbctv18.com/market/jk-tyre-share-price-cavendish-merger-swap-ratio-record-high-correction-impact-benefits-shareholding-19477374.htm.
[168] Equity Pandit, JK Tyre Board Approved Merger with Cavendish Industries; Shares Gain, Equity Pandit (Sep. 17, 2024), https://www.equitypandit.com/jk-tyre-board-approved-merger-with-cavendish-industries-shares-gain/.
[169] Supra note 29.
[170] Id.

cjdRNIXrp7PRBI/JK-Tyre-completes-Cavendish-Industries-acquisition-for-Rs21.html.

- JK Tyre, Annual Report 2019-20, JK Tyre (2020), https://www.jktyre.com/Annual/280802.pdf.
- JK Tyre, JK Tyre Completes Acquisition of Laksar (Haridwar) Tyre unit of Kesoram Industries Ltd., JK Tyre (Apr. 18, 2016), https://www.jktyre.com/pressreleasedetails.aspx?id=gRyJVFLmzRk=.
- ET Now, Cavendish Industries Now JK Tyres - Raghupati Singhania Chairman - MD JK Tyres, YouTube (Apr. 18, 2016), https://www.youtube.com/watch?v=VAHEZ2DFRa0.
- JK Tyre, Annual Report 2015-16, JK Tyre, 109 (2016), https://www.jktyre.com/AnnualReport2015-16.pdf.
- S.R. Singh, JK Tyre completes acquisition of BK Birla's tyre business at ₹2,200 cr, The Hindu (Apr. 18, 2016), https://www.thehindubusinessline.com/companies/jk-tyre-completes-acquisition-of-bk-birlas-tyre-business-at-2200-cr/article64334579.ece.
- Business World, JK Tyre To Raise Stake In Subsidiary Cavendish Industries, Business World (Mar. 26, 2020), https://businessworld.in/article/jk-tyre-to-raise-stake-in-subsidiary-cavendish-industries-187363#:~:text=JK%20Tyre%20and%20Industries%20said,25%20manufacturers%20in%20the%20world..
- Sandra Feldman, The different types and methods of mergers and acquisitions, Wolters Kluwer (Aug. 7, 2024), https://www.wolterskluwer.com/en/expert-insights/the-different-types-and-methods-of-mergers-and-acquisitions#:~:text=Parent%2Dsubsidiary%20merger&text=Parent%2Dsubsidiary%20mergers%20may%20be,the%20parent%20business%20entity%20surviving..
- Accounting Insights Team, Financial and Strategic Insights for Merging Subsidiaries, Accounting Insights (Sep. 22, 2024), https://accountinginsights.org/financial-and-strategic-insights-for-merging-subsidiaries/.
- Money Control, JK Tyre approves merger of Cavendish Industries into the company, Money Control (Sep. 16, 2024), https://www.moneycontrol.com/news/business/markets/jk-tyre-approves-merger-of-cavendish-industries-12823013.html.
- Construction World, JK Tyre's Board approves merger with Cavendish Industries, Construction World (Sep. 19, 2024), https://www.constructionworld.in/policy-updates-and-economic-news/jk-tyres-board-approves-merger-with-cavendish-industries/62696.
- Bar & Bench, Khaitan & Co acts on JK Tyre INR 40 billion merger, Bar & Bench (Sep. 27, 2024), https://www.barandbench.com/law-firms/dealstreet/khaitan-co-acts-on-jk-tyre-inr-40-billion-merger.
- Ventura, Merger with Cavendish Industries boosts JK Tyre shares, Ventura (Sep. 17, 2024), https://www.venturasecurities.com/news/stocks/merger-with-cavendish-industries-boosts-jk-tyre-shares/#:~:text=Share%20transfer%20details%20for%20Cavendish,truck%20and%20bus%20radial%20segment..
- JK Tyre, Annual Report 2016-17, JK Tyre, 18 (2017), https://www.jktyre.com/admin/Annual/JKTyre%20Final%20LR.PDF.
- JK Tyre, Annual Report 2017-18, JK Tyre, 9 (2017), https://www.jktyre.com/admin/Annual/JK%20Tyre%20AR1%202017-18.pdf.
- JK Tyre, Annual Report 2018-19, JK Tyre, 14 (2019), https://www.jktyre.com/Annual/JK%20TyrefinalAnnualReport%202018-19.pdf.

- JK Tyre, Annual Report 2020-21, JK Tyre, 14 (2021), https://www.jktyre.com/Annual/2082021.pdf.
- JK Tyre, Annual Report 2021-22, JK Tyre, 129 (2022), https://www.jktyre.com/Annual/JK_Tyre_IAR_2021-22.pdf.
- JK Tyre, Annual Report 2022-23, JK Tyre, 35 (2023), https://www.jktyre.com/Annual/JK%20Tyre%20IR%202022-23.pdf.
- JK Tyre, Annual Report 2023-24, JK Tyre, 19 (2024), https://www.jktyre.com/Annual/JK_Tyre__IAR_2023-24.pdf.
- Meghana Sen, Here is how JK Tyre shares are trading post merger announcement with Cavendish, CNBC TV (Sep. 17, 2024), https://www.cnbctv18.com/market/jk-tyre-share-price-cavendish-merger-swap-ratio-record-high-correction-impact-benefits-shareholding-19477374.htm.
- Equity Pandit, JK Tyre Board Approved Merger with Cavendish Industries; Shares Gain, Equity Pandit (Sep. 17, 2024), https://www.equitypandit.com/jk-tyre-board-approved-merger-with-cavendish-industries-shares-gain/.