



**IPO Report**

08<sup>th</sup> Sept '24

**Snapshot**

Company is one of the leading players in the industry with all India presence with a diverse product range. Company is one of the companies that are present in both verticals – manufacturing of new tyres and tread rubber. Company has established itself as a major tyre retreading solutions provider across India and exported to 40 foreign countries, including the Middle East, East Africa, Jordan, Kenya and Egypt. The major products of the Company include two-wheeler, three-wheeler, light commercial vehicle and agricultural tyres, precured tread rubber and other accessories including bonding gum, tyre flap, vulcanizing solutions, etc.

**VALUATION**

Company is bringing the issue at price band of Rs 215-226 per share at p/e multiple of 34x on post issue FY24 PAT basis. Company has diversified product range and customised product offering. Also, company has long standing relationship with large OEMs and dealer network in India and company's depots, Company's integrated manufacturing operations coupled with in-house products and process design capabilities which offer scale, flexibility and comprehensive solutions along with research and development and product development capabilities: Hence, looking after all above we recommend "Subscribe" on issue.

<b>Price Band (Rs./Share)</b>	<b>215-226</b>
<b>Opening date of the issue</b>	<b>09<sup>th</sup> Sept '2024</b>
<b>Closing Date of the issue</b>	<b>11<sup>th</sup> Sept '2024</b>
<b>No of shares pre issue</b>	3,06,59,272 Eq Shares
<b>Issue Size</b>	Rs 230 Cr
<b>No of shares</b>	1,06,97,674-1,01,76,991 Eq Shares
<b>Fresh issue</b>	Rs 200 Cr
<b>Offer For Sale</b>	Rs 30 Cr
<b>Face Value (Rs/ share)</b>	Rs 5/share
<b>Bid Lot</b>	66

**BIDDING DETAILS**

<b>QIBs (Including Anchor)</b>	50% of the offer (Approx 53,48,836 Eq Shares)
<b>Non-Institutional</b>	15% of the offer (Approx 16,04,652 Eq Shares)
<b>Retail</b>	35% of the offer (Approx 37,44,186 Eq Shares)
<b>Lead managers</b>	Saffron Capital Advisors Pvt. Ltd
<b>Registrar to the issue</b>	Cameo Corporate Services Limited

**WHAT WE LIKE**

***Diversified Product Range and Customised Product Offering***

Company is divided into two business verticals based on the two product categories. Company manufacture Tyres and Tread Rubber. Company have unique competitive advantages and uniqueness in both the categories, which has been discovered through consumer insights, studies and market research. Company have a total of 163 stock keeping units (SKU) in tyre category and 1,003 SKUs in tread rubber, this catalogue has been built over the decades to fit in with market requirements and to fulfil customer requirements

***Long standing relationship with large OEMs and dealer network in India and company's Depots***

In over three decades of company's operations, company have established long-standing relationships with several well established Indian and global customers like, Marangoni GRP, Kerala Agro Machinery Corporation Ltd (KAMCO), Redlands Motors, Tyre Grip. etc. for products. Company's diversified product portfolio helps it cater to the requirements of a broad spectrum of customers which includes OEMs, domestic dealer network and its depots across the country

***Integrated manufacturing operations coupled with in-house products and process design capabilities which offer scale, flexibility and comprehensive solutions***

Company operate 3 Manufacturing Facilities, out of which two are based out of Kalady, Kerala, India. Out of the two manufacturing facilities located in Kalady, Kerala, India one is owned by Company and the other is owned by its wholly owned Indian subsidiary, TRPL. Further, company have one more manufacturing unit which is owned by TTLLC, company's wholly owned foreign subsidiary, in Al Hamra Industrial Zone in Ras Al Khaimah UAE.



## COMPANY BACKGROUND

Company is primarily engaged in manufacturing of bias tyres for comprehensive array of vehicles (including light commercial, agricultural and two/three-wheeler vehicles) and precured tread rubber and are also involved in manufacturing of ancillary products like bonding gum, vulcanizing solution, tyre flaps and tubes. Company commenced operations in 1982 as a proprietorship concern for manufacture of tread rubber. Company incorporated this Company in the year 2003 and commenced production and sales in the year 2005 and since then have been one of the players for retreading products manufacturing owing to its excellence and innovation in the industry.

Company is a profitable growing Company in the retreading and tyre manufacturing space and company's Profit after Tax has grown at a CAGR of 541.98% between Fiscal 2022 (on a standalone basis) and Fiscal 2024 (on a consolidated basis). Over the years, company have expanded its manufacturing capabilities through infusion of capital from the Promoters, in addition to growing its dealers and distribution network. With over four decades of experience, company rely on its product development capabilities to design and deliver proprietary products such as precured tread rubber and bias tyres that are market fit. Under the "Tolins Tyres" brand, company market and sell tyres for use in light commercial vehicles, agricultural vehicles and two/three-wheeler vehicles, primarily in India and export to the Middle East, the ASEAN region, and Africa.

The Company has established itself as a major tyre retreading solutions provider across India and exported to 40 foreign countries, including the Middle East, East Africa, Jordan, Kenya and Egypt. Currently, Company caters to all three segments of market viz. exports, domestic sales and Original Equipment Manufacturers ("OEMs") like, Marangoni GRP, Kerala Agro Machinery Corporation Ltd (KAMCO), Redlands Motors, Tyre Grip etc. Further, company sell its products through dealership network and company's depots. Company have a widespread customer base with its domestic customer base situated in most of the regions of the country and company's international customers situated across varied countries covering Middle East, the ASEAN region and Africa. Company have been recognized by its customers for the high-quality of the products supplied by company, which is one of the factors that has helped company establish long term relationships with them. Company is backward integrated with raw materials, design, process engineering, casting and machining capabilities which allows company greater control over process, timelines, pricing and quality. Company's in-house design capabilities have been instrumental in its success by allowing company to work closely with customers for design and development of high performance and durable products. For its products, company is also forward integrated with a network of sales channels through its depot and dealers across key states in India. As on March 31, 2024, company have a total of 8 depots and 3,737 dealers across the country.

Company operate from three Manufacturing Facilities out of which two are located at Mattoor in Kalady, Kerala and the third one is located in Al Hamra Industrial Zone in Ras Al Khaimah in UAE. Company's manufacturing facility is spread over approximately 8.99 acres covering approximate built-up area of 126,488 square feet for end-to-end manufacturing of tyres and tread rubber including an in-house design development, production and quality testing at various levels in processes from receiving of raw material to final products. Company's other facility in India is situated within the same premise and is spread over 2.21 acres covering an approximate built-up area of 64,537 square feet and is engaged in manufacturing complete compound mixing which is used by Company as a raw material to manufacture company's products. Company's facility in Ras Al Khaimah, UAE is spread over approximately 2.47 acres with a builtup area of 30,189 square feet and is used for manufacture of tread rubber, bonding gum and warehousing of tyres. The location of company's facilities in India is strategically close to the raw material source of natural rubber and infrastructure such as airports, seaports and national road network which gives company a competitive edge to address the market requirements. Currently, company have a consolidated capacity of 1.51 million tyre manufacturing, 12,486 tons tread rubber manufacturing capacity and 17,160 tons of rubber compound across company and its wholly owned subsidiaries. Company's Chairman and Managing Director, Dr. Kalamparambil Varkey Tolin, has been an integral part in the establishment and growth of Company and with over three decades of experience in the rubber, tread rubber and tyre manufacturing industry, he has been instrumental in company's continued growth. Company's Senior Management Personnel of the Company have also been associated with company and have contributed to the growth of the Company through their commitment and expertise.



**INVESTMENT RATIONALE**

<p><i>Locational Advantage</i></p>	<p>Two of company’s manufacturing facilities are located in Kalady, which is a town in Ernakulam District of Kerala, is in close vicinity of the city of Kochi, Kerala, India. Out of the two manufacturing facilities, one is owned by company and other is owned by its wholly owned Indian subsidiary, TRPL. The Inland Container Depot and sea port is approximately 40 kms from Manufacturing Facilities in Kalady, Kochi Airport, which is an international airport connected to the worldwide destinations is merely 6 kms from company’s Manufacturing Facilities in Kalady, Kochi, Kerala. Besides this the Manufacturing Facilities are also well connected with Indian railways. Angamally Railway Station is approx. 5 kms from company’s Manufacturing Facilities. Further, compoany have one more Manufacturing Facility which owned by its wholly owned subsidiary in Al Hamra Industrial Zone in Ras Al Khaimah UAE which is well connected in UAE to airport and seaports.</p>
<p><i>Research and development and product development capabilities</i></p>	<p>Company place emphasis on research and development (“R&amp;D”). Company’s R&amp;D activities are aimed at growing its market share by seeking to continually offer technologically backed products to its customers, while improving operational efficiencies to derive better margins. Company have a dedicated R&amp;D Centre inside the factory itself located at Kalady, Kochi, Kerala attached to the TTL Facility (“R&amp;D Centre”). Company have a dedicated R&amp;D team comprising of 10 employees including contract employees. In the Fiscals 2024, 2023 and 2022, company spent ₹2.29 million, ₹2.13 million and ₹1.98 million towards R&amp;D expenses which represents 0.10%, 0.18% and 0.17% of its total revenue from operations, respectively, and compoany intend to continue to invest in R&amp;D.</p>
<p><i>Experienced and Dedicated Management Team</i></p>	<p>Company’s Chairman and Managing Director, Dr. Kalamparambil Varkey Tolin has more than three decades of techno commercial management experience in the rubber and tyre industry. His experience has helped Company’s growth. With a wealth of industry knowledge and a commitment to excellence, company’s management team, under his leadership, ensures the seamless coordination of purchase, operations, marketing and innovation. Their collective expertise not only fosters a culture of efficiency but also drives Company towards continuous improvement, making company a reliable and competitive force in the tyre manufacturing and retreading sector.</p>



## OBJECTS OF OFFER

### Objects of the Fresh Issue

Company proposes to utilise the Net Proceeds from the Fresh Issue towards funding the following objects:

1. Repayment and / or prepayment, in full, of certain outstanding loans (including foreclosure charges, if any) availed by Company;
2. Augmentation of long-term working capital requirements of Company;
3. Investment in company's wholly owned subsidiary, Tolin Rubbers Private Limited to repay and/ or prepay, in full, certain of its short term and long-term borrowings and augmentation of its working capital requirements; and
4. General corporate purposes.

## RISKS

The tyre manufacturing industry is encountering difficulties because of limited suppliers for key raw materials such as natural rubber and carbon black. Further, company do not have any long-term contracts with its suppliers and engage them by way of placing purchase orders. Volatility in the prices and availability of raw materials or any failure by its suppliers to make timely delivery of raw materials or breakdown of company's relationship with such suppliers could have an adverse effect on company's business, financial condition and results of operations.

Source:RHP

## INDUSTRY OVERVIEW

### Outlook for tyre industry

The domestic tyre industry is expected to expand in the coming years owing to higher demand for vehicles. The sector's planned spending is aimed at adding manufacturing capacity, modernisation, technology upgrade and research and development (R&D). With the automobile sector growing, demand for replacement tyres is also increasing. Moreover, increasing acceptance of Indian tyres in the overseas markets is leading to a sharp growth in tyre exports from India to destinations such as the US and Europe. The creation of high-speed corridors and the government's infrastructure efforts will lead to an increase in the use of radial tyres. The shift towards radialisation will provide a further growth opportunity for the industry. The incorporation of Industry 4.0 and automation in the tyre industry is also expected to improve productivity and quality. Indian tyre industry is expected to grow by 4-6% in fiscal 2025, owing to improvement in replacement demand amidst a muted growth in OEM segment. The replacement segment which covers 68% of overall tyre production by tonnage, is projected to grow 5-7% while OEM segment is projected to grow by 1-3%. The slow growth in OEM demand is attributable to the expected decline in commercial vehicle sales which account for ~50% of overall tyre sales by tonnage. The commercial vehicle (CV) sales for fiscal year 2025 are expected to decline marginally by (2)-0%. Light Commercial vehicles (LCVs) are projected to grow by 0-2% aided by volume up for replacement, while Medium and Heavy Commercial Vehicles (MHCV) sales are projected to decline by (4)-2% on account of the high tonnage sold in MHCVs over the preceding years. Passenger vehicle sales are projected to register a moderate growth of 5-7% after recording 3 years of high sales. Growth in the replacement sector will be majorly led by revival in rural market which is predominantly dependent on farm incomes which remained subdued in the previous fiscal owing to erratic monsoon which led to lower crop yields. However, with normal monsoon prediction and healthy reservoir levels, the tyre sales which got postponed previously are expected to materialise this fiscal. Additional factors including the ongoing healthy economic scenario, softening inflation coupled with improvement in income sentiments, improving industrial activity, along with the government's emphasis on infrastructure development, mining, and road construction is expected to boost tyre sales in fiscal 2025. Strong presence of Indian two-wheeler OEMs in African and Latin American nations along with better brand image of Indian tyre OEMs to aid increased exports of two-wheeler tyres. Slowdown in exports is expected in other segments owing to weak demand from advanced economies in Europe and America.



**Consolidated Financials**

(Rs in Mn)

Financials	FY22	FY23	FY24
Total Revenue (A)	1133.65	1182.46	2272.18
Total Expenditure (B)	1072.74	1059.86	1808.44
EBIDTA	60.91	122.60	463.74
EBIDTA Margin	5.37	10.37	20.41
Other Income	10.21	14.33	14.77
Depreciation	19.62	16.14	33.71
EBIT	51.50	120.79	444.80
Interest	42.96	50.52	115.80
PBT	8.54	70.27	329.00
Share of profit in Asso	0.00	0.00	0.00
PBIT	8.54	70.27	329.00
Exceptional	0.00	0.00	0.00
PBT	8.54	70.27	329.00
Tax	2.23	20.35	68.92
PAT	6.31	49.92	260.08
NPM	0.56	4.22	11.45
ROE%	5.83	25.70	25.87
EPS	0.35	2.55	9.52
Eq Cap	14.00	50.00	153.30
Net Worth	108.25	194.23	1,005.33

(Source: RHP)

**Peer Comparison**

Company Name	P/E	Revenue from operations (Rs in Lakhs)	EPS	NAV	ROE %
Tolins Tyres Limited		2272.18	9.52	36.80	25.87
<b>Peers</b>					
Indag Rubber Limited	39.94	2511.85	6.15	87.46	6.79
Vamshi Rubber Limited	27.94	774.21	1.87	32.54	4.46
TVS Srichakra Limited	33.76	29260.00	140.98	1451.55	9.70
GRP Ltd	24.07	4613.79	169.78	1250.57	13.57
Elgi Rubber Company Limited	45.12	3864.45	2.33	37.91	6.15

(Source: RHP)



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