

## TOLINS TYRES LTD

09-09-2024 - 11-09-2024

Industry: Rubber

Recommendation: Subscribe with Risk

Price Band: ₹215 - 226

Post Implied Market Cap: ₹859 Cr - ₹893 Cr

### Key Data

Issue Size (₹ Cr)	230
Fresh (₹)	200
OFS (₹)	30
No. of shares offered	10,697,674 - 10,176,991
Face Value (₹ /share)	5
Bid Lot	66

### Indicative Timetable

Activity	On or about
Finalisation of Basis of Allotment	12-09-2024
Refunds/Unblocking ASBA Fund	13-09-2024
Credit of equity shares to DP A/c	13-09-2024
Trading commences	16-09-2024

### Shareholding (No. of shares)

Pre-Issue	30,659,272
Post Issue (Lower price band)	39,961,597
Post Issue (Higher price band)	39,508,829

### Shareholding Pattern

#### Promoter:

Pre Issue	92.63%
Post Issue	68.53%

#### Public-Others:

Pre Issue	7.37%
Post Issue	31.47%

### Issue Breakup

QIB	50%
NIB	15%
Retail	35%

### Other Details

**BRLMs:** Saffron Capital Advisors Pvt. Ltd

**Registrar:** Cameo Corporate Services Limited.

**Listing:** BSE & NSE

### Research Analyst

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### About the Company

Tolins Tyres Ltd (Tolins tyres) manufactures new tyres, tread rubber, and ancillary products like bonding gum, vulcanizing solution, tyre flaps, and tubes, marketed under the "Tolins Tyres" brand. As of March 31, 2024, the company operates 8 depots and has 3,737 dealers nationwide, serving export, domestic, and OEM markets. With a diverse product range of 163 tyre SKUs and 1,003 tread rubber SKUs, Tolins Tyres operates from 3 strategically located manufacturing facilities, supporting its extensive market reach.

### Investment Rationales

- **Diversified Product Range and Customised Product Offering:** Company operates two business verticals: Tyres and Tread Rubber, with 163 SKUs in tyres and 1,003 SKUs in tread rubber. The company leverages its competitive advantage gained through consumer insights and market research, building a diverse product catalogue tailored to market and customer needs. With a customer-centric approach, the company focuses on supplying customized products to its clients, enhancing its market position.
- **Long standing relationship with large OEMs and dealer network in India and its Depots:** Tolins tyres has built strong, long-term relationships with prominent Indian and global customers, including Marangoni GRP, KAMCO, Redlands Motors, and Tyre Grip. Its diverse product portfolio allows the company to meet the needs of a wide range of customers, including OEMs, domestic dealers, and depots across the country.
- **Integrated manufacturing operations coupled with in-house products and process design capabilities which offer scale, flexibility and comprehensive solutions:** Company manages its entire manufacturing process in-house, including design, mould production, heat treatment, machining, and quality inspection. This allows the company to closely monitor product quality, control costs, and manage delivery schedules effectively. The company's mould manufacturing is equipped with high-speed CNC milling machines, and it uses advanced CAD and CAM software for higher accuracy and efficiency in production.
- **Locational Advantage:** Tolins Tyres has two manufacturing facilities in Kalady, Kerala, strategically located near key transport hubs, including the Inland Container Depot, seaport, and Kochi International Airport, with Angamally Railway Station just 5 km away. Additionally, the company operates another manufacturing facility through its wholly owned subsidiary in the Al Hamra Industrial Zone, Ras Al Khaimah, UAE, which is well connected to airports and seaports, enhancing its logistical efficiency.
- **Research and development and product development capabilities:** Tolins Tyres has an in-house R&D Centre at its Kalady, Kochi factory, with a dedicated team of 10 employees. The company consistently invests in R&D, with expenses accounting for 0.10%, 0.18%, and 0.17% of total revenue in FY 2024, 2023, and 2022, respectively. Tolins has developed the T Grip series tyres, optimized for lower rolling resistance and enhanced traction using specialized rubber compounds, compliant with BIS Standards. As of March 31, 2024, the company has developed 163 new designs and created moulds for these products.

### Risk

- Higher dependency on limited supplier for critical raw material.
- Fluctuation in the prices of raw materials.

### MView

We believe Tolins Tyres Ltd IPO gives investors an opportunity to invest in one of the leading players in the tread rubber market, with strong market positioning and robust operational capabilities in tyres and tread rubber manufacturing. Company operates through two key business verticals—Tyres and Tread Rubber—offering a diverse product portfolio that serves a broad spectrum of customers, including OEMs, domestic dealers, and global clients. We think the company's strategic in-house manufacturing processes and advanced technology, ensures high product quality, cost control and efficient delivery schedules. Its strategically located manufacturing facilities in Kerala and the UAE enhance logistical efficiency and market access. We also believe its dedicated R&D Centre underscores Company's commitment to innovation, as demonstrated by the development of the T Grip series tyres, compliant with BIS Standards. The company's consistent R&D investment reflects its focus on enhancing product offerings and staying ahead of market demands. By looking at the financials, the company has shown remarkable growth, with revenue from operations and net profit surging by 92.2% and 421%, respectively, in FY 2024. This growth was driven by increased daily production capacity and better utilization of expanded facilities, enabling the company to penetrate larger markets in India, especially in challenging terrains. On valuation parse at the upper price band of ₹ 226/-, the issue is asking for a market cap of ₹ 893 cr. Based on FY 2024 earnings and fully diluted post-IPO paid up capital, the company is asking for PE of 34.33x which seems reasonably priced looking at its financials growth trajectory and when listed peers which are trading at ~40-50x. Given the company's strong long-term relationships with prominent clients underscore its market credibility and customer-centric approach. With consistent investment in R&D and a focus on customized solutions, we believe Tolins tyres is well-positioned for growth and to capitalize on the evolving automotive and ancillary products sector. Hence, considering all rationales we recommend investors to "SUBSCRIBE WITH RISK" the Tolins Tyres Ltd IPO for the long term. The reasonable valuation also provides scope for potential listing gains above the issue price.

## CONSOLIDATED FINANCIAL TABLES

### BASIC FINANCIAL DETAILS

Particulars ₹ (in Crs)	2024	2023	2022
	(Consolidated)	(Standalone)	
	Equity Share Capital	15.33	5
Net worth	100.53	19.42	10.83
Total Borrowings	78.77	47.03	48.87
Revenue from Operations	227.22	118.25	113.36
Revenue Growth (%)	92.15	4.31	-
Gross Profit	63.07	23.68	18.46
Gross Margin (%) as stated	27.76	20.03	16.29
EBITDA as stated	46.37	12.26	6.09
EBITDA Margin (%) as stated	20.41	10.37	5.37
Net Profit for the Year	26.01	4.99	0.63
Net Profit Margin (%)	11.47	4.22	0.56
EPS - Basic & Diluted (₹)	9.52	2.55	0.35
RONW (%)	25.87	25.70	5.83
NAV (₹)	36.80	9.92	5.98
ROCE (%) as stated	36.08	31.49	14.80

Source: Company RHP

### COMPARISON WITH INDUSTRY LISTED PEERS ₹ (IN CR)

Companies	Mcap (in Cr)	FV	Total Revenue FY 2024( in Cr)	EPS	NAV	P/E	P/B	RoNW (%)
Tolins Tyres Ltd	893.00	5	227.22	6.58	25.45	34.33	8.88	25.87%
Indag Rubber Ltd	617	2	251.19	6.15	87.46	52.2	2.75	6.79%
Vamshi Rubber Ltd	20.8	10	77.42	1.87	32.54	31.6	1.52	4.46%
TVS Srichakra Ltd	3,416	10	2,926.00	140.98	1,451.55	34.5	3.08	9.70%
GRP Ltd	1,851	10	461.38	169.78	1,250.57	68.9	11	13.58%
Elgi Rubber Company	563.00	1	386.45	2.33	37.91	149	2.97	6.15%

Date as on 31st March 2024, Cline Mcap, PE, PB calculated as on 09-06-2024

Tolins Tyres Ltd, Revenue EPS/PE,PB, NAV calculated on annualised basis post money



# MSEARCH

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### **Msearch's Recommendation (Absolute Performance)**

**Buy: > 20% within the next 12 Months**

**Accumulate: 5% to 20% within the next 12 Months**

**Sell : < -20% within the next 12 Months**

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