

The Issue	
Type of Issue	Issue size Rs. Mn
Fresh Issue	2000
Offer for Sale	300
Total	2300
Post issue mkt cap (Rs. mn)*	8,929
Lot size	66 shares

*At Upper Price Band

Issue Break-Up	
Reservation for	% of Issue
QIB	50%
NIB	15%
Retail	35%
Total	100%

Indicative Offer Timeline	Indicative Date
Bid/Offer Opening Date	Sept 9, 2024
Bid/Offer Closing Date	Sept 11, 2024
Finalization of the Basis of Allotment	Sept 12, 2024
Credit of shares	Sept 13, 2024
Initiation of refunds	Sept 13, 2024
Listing Date	Sept 16, 2024

Use of Proceeds	
Repayment of outstanding loans	Rs 700 Mn
Augmentation of working capital	Rs 750 Mn
Repayment of outstanding loans (subsidiary)	Rs 152 Mn
Augmentation of working capital (subsidiary)	Rs 80 Mn

Lead Bankers	
Manager	Saffron Capital Advisors Pvt. Ltd.
Registrar	Cameo Corporate Services Ltd.

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Riding the growth in the tyre Tread rubber industry; **SUBSCRIBE**

- Tolin Tyres is a leading tyre retreading provider in India with a global footprint in **40 countries**. They operate in two key verticals: new tyre manufacturing and tread rubber. Their products include tyres for two and three-wheelers, agricultural and LCVs, precured tread rubber, and accessories like bonding solutions, tyre flaps, tubes, and vulcanizing solutions. The company offers **163 SKUs in tyres and 1,003 SKUs in tread rubber, totalling 1,166 SKUs**.
- By investing in their raw material supplier subsidiary, the company achieves vertical integration, enhancing control over manufacturing, delivery timelines, and supply chain management. This leads to increased volumes and higher profit margins (**EBITDA: 20.4%, PAT: 11.4% for FY24**). The company also invests in R&D to develop new products for market demands and OEM customers.
- Tolin Tyres uses various raw materials, including rubber compounds (both natural and synthetic), nylon fabric, bead wire, solvents, carbon black, and oil. In FY24, raw material costs accounted for **77%** of the company's revenue. Tolin Tyres sources **29%** of its raw materials from its top supplier, **60%** from the top 3 suppliers and **98%** from the top 10 suppliers.
- The company operates three manufacturing facilities (**two in Kerala and one in the UAE**) with capacities of **1.5 mn tons for tyres, 12,486 tons for tread rubber, and 17,160 tons for rubber compounds**. Following recent expansions, the average capacity utilization is about **33.4%**, with individual utilization rates of **32%** for tyres, **48%** for PCTR, **24%** for bonding gum, and **42%** for flaps as of FY24. The company also has **8 depots and 3,737 dealers pan-India**.
- Tolin Tyres holds a **2.7% market share in India's retread tyre** segment and **0.06% in the overall tyre market**. Globally, the company has a **0.18% market share in tread rubber**. Exports are mainly to the Middle East (**91%**), with Europe contributing **8%**, and the rest from the Asia-Pacific region, the US, and Canada.
- In FY24, the company generated revenue of Rs **2,272mn**, with **~95% (Rs 2,150mn)** coming from domestic sales in India and **~5% (Rs 122mn)** from international markets. Tread rubber accounted for **76%** of the revenue, while tyres contributed **24%**.
- Tolin Tyres supplies products to OEMs like Marangoni GRP, KAMCO, Redlands Motors, and Tyre Grip. The top 3 customers contribute about **34%** of total revenue, while the top 10 customers account for approximately **43%**.

Valuation and Outlook: At the upper price band of Rs 226, Tolin Tyres is valued at a P/E of 34.8x based on FY24 EPS, suggesting a fair valuation in line with its peers. The company has delivered robust growth in Revenue/EBITDA/PAT at a CAGR of 42%/176%/542% from FY22 to FY24, driven by capacity expansion and vertical integration. As a leading player in tyre retreading, Tolin also manufactures tyres and plans to expand into the radial tyre market and the aerospace and defense sectors. With growth opportunities in agricultural and EV segments, and reasonable valuations, we assign a 'SUBSCRIBE' rating to the issue.

SEPTEMBER 5, 2024

Tolin Tyres Ltd

Key financial summary

Financial summary (Rs. mn)	FY22*	FY23*	FY24*
Revenue	1,134	1,182	2,272
Reported EBITDA	61	123	464
Reported EBITDA margin (%)	5.4%	10.4%	20.4%
PAT	6	50	260
PAT margin (%)	0.6%	4.2%	11.4%

*FY22/FY23 P&L is standalone. FY24 P&L is consolidated

Pre-issue and post-issue holding structure

* At upper price band

	No. of Shares	% of total equity capital	No. of shares	% of total equity capital
	Pre-IPO		Post-IPO	
Promoter	28,400,899	92.63%	27,073,465	68.53%
Public	2,258,373	7.37%	12,435,365	31.47%
Total	30,659,272	100.00%	39,508,830	100.00%

Selling shareholders	Promoter & Promoter group / Others	No. of shares
Dr. Kalamparambil Varkey Tolin	Promoter	663,717
Jerin Tolin	Promoter	663,717

Risks:

- **Revenue dependence on distributors and OEMs:** ~72% of Tolin Tyres' revenue depends on dealers and distributors, with OEMs being significant customers for agricultural tyres. The company does not have exclusive contracts with these distributors and OEMs, which could pose a risk to future sales and profitability due to this dependence.
- **Risk of supplier concentration and price volatility:** The tyre manufacturing industry relies on a limited number of suppliers for critical raw materials. Without exclusive contracts, companies are vulnerable to supply risks and price volatility, as they must negotiate prices for each order. Rising rubber and crude oil prices exacerbate the challenge of passing on increased raw material costs.
- **Dependency on automotive manufacturers:** Tolin Tyres' sales are highly influenced by the inventory and production levels of automotive manufacturers. Any planned or unforeseen shutdowns of these manufacturers' operations could significantly impact the company's revenue.
- **Impact of rising rubber and crude prices:** Recent increases in rubber prices pose a significant threat to the company's raw material costs. Additionally, rising crude oil prices, which are crucial for producing synthetic tyres, are likely to lead to higher costs for these tyres. This situation threatens to increase overall production expenses for Tolin Tyres.
- **Competitive Pressure and Market Penetration Challenges:** Tolin faces significant competition in both the Indian and international tyre markets. Major players such as BKT, MRF, Apollo, JK Tyres, etc. dominate over 80% of the Indian market, making it challenging for Tolin to penetrate. Additionally, rising raw material prices make it difficult for Tolin to pass on costs to customers while maintaining competitive pricing to gain market share.

Strengths:

- **Diverse and customized product portfolio:** The company manufactures both tread rubber and tyres, with 163 SKUs in tyres and 1,003 SKUs in the tread rubber segment. Over the years, they have developed this extensive catalog by offering in-house design and customization. These capabilities allow Tolin to cater to the unique demands of its customers, ensuring high levels of satisfaction.
- **Robust financials and operational efficiency:** Tolin has demonstrated strong financial performance, with EBITDA margins of 20.4% and a remarkable CAGR of 175% from FY22 to FY24. The company also maintains PAT margins of 11.4%, outperforming its peers. These results are driven by Tolin's vertical integration and efficient supply chain management, which help reduce costs. Additionally, the company has expanded its tyre manufacturing capacity to meet rising demand.
- **In-house manufacturing and strategic location advantages:** Their manufacturing process includes in-house designing, mould production, heat treatment, machining, and quality inspection and testing. This enables Tolin to closely monitor each step, ensuring the high quality they are known for. Additionally, their manufacturing facilities in India and the UAE offer locational advantages, being well connected to seaports, airports, and railways. The Kerala facility is strategically close to both suppliers and customers, reducing transportation costs and fostering closer relationships.

Strategies:

- **Expansion and focus on high-growth segments:** With increased capacity, Tolin plans to boost utilization from 33% to 75%. They will focus on expanding sales of Off-The-Road, highway, agricultural, and industrial tyres, alongside meeting the rising demand for two and three-wheeler tyres. Additionally, they aim to promote PCTR and bonding solutions to penetrate the replacement market and OEMs in India and internationally.
- **Expanding product line and market opportunities:** Tolin plans to enter the radial tyre market, which is more expensive than bias tyres. The growing radialisation of truck and bus tyres presents an opportunity for Tolin to capture more market share in this value-added segment, boosting profitability. Additionally, Tolin aims to leverage the expertise of its promoters in the aerospace and defense industries to manufacture tyres for these sectors, further diversifying its product line.
- **Pursuing strategic acquisition and investing in R&D:** Tolin plans to drive growth by investing in R&D to enhance technological capabilities, optimize in-house processes, and achieve operational efficiencies, strengthening its competitive edge. The company aims to expand exports to the USA and Europe by offering customized solutions tailored to these markets. Additionally, Tolin is exploring strategic acquisitions in rubber, rubber-related products, and tyre manufacturing to scale operations and capture new and existing market opportunities, boosting overall market share.

Revenue Contribution from Indian and International Markets

Description	Fiscal					
	2024 (Standalone)		2023 (Standalone)		2022 (Standalone)	
	Amount (in Mn)	Percentage of Revenue (%)	Amount (in Mn)	Percentage of Revenue (%)	Amount (in Mn)	Percentage of Revenue (%)
Exports	122	5.4%	140	11.8%	158	14.0%
Domestic	2150	94.6%	1043	88.2%	975	86.0%
Total Revenue	2272	100.0%	1182	100.0%	1134	100.0%

Revenue Contribution from each Vertical

Vertical	For the year ended March 31					
	2024 (Consolidated)		2023 (Standalone)		2022 (Standalone)	
	Amount	Percentage of Revenue from operations (%)	Amount	Percentage of Revenue from operations (%)	Amount	Percentage of Revenue from operations (%)
Tyres	551	24.3%	248	21.0%	194	17.1%
Retread Tyres	1,721	75.7%	935	79.0%	940	82.9%
Total	2,272	100.0%	1,182	100.0%	1,134	100.0%

Sales and Production Volume from each Product

Description	Fiscal					
	2024 (Consolidated)		2023 (Standalone)		2022 (Standalone)	
	Sales	Production	Sales	Production	Sales	Production
Tyres (in nos)	3,16,731	4,77,861	2,68,416	2,54,686	1,89,021	2,26,861
PCTR (in tons)	3,522	5,772	2,731	2,708	2,353	3,118
Flap (in tons)	527	504	226	236	282	299
Bonding Gum (in tons)	2,39,554	1,81,626	36,368	34,928	62,628	69,192
Rubber Compound (in tons)	5,152	5,485	2,731	5,079	2,353	5,525

Supplier Concentration for Raw Materials

Supplier Concentration	Fiscal					
	2024 (Consolidated)		2023 (Standalone)		2022 (Standalone)	
	Amount (in Mn)	Percentage of Total Purchases (%)	Amount (in Mn)	Percentage of Total Purchases (%)	Amount (in Mn)	Percentage of Total Purchases (%)
Top 3 Supplier	1,207	60.0%	853	78.3%	815	79.1%
Supplier 1	585	29.1%	709	65.0%	753	73.1%
Supplier 2	379	18.9%	102	9.3%	31	3.0%
Supplier 3	243	12.1%	43	3.9%	31	3.0%
Top 10 Suppliers	1,973	98.0%	1006	92.3%	925	89.8%

Customer Base and Revenue Contribution

Customer Concentration	Fiscal					
	2024 (Consolidated)		2023 (Standalone)		2022 (Standalone)	
	Amount (in Mn)	Percentage of Revenue (%)	Amount (in Mn)	Percentage of Revenue (%)	Amount (in Mn)	Percentage of Revenue (%)
Top 3 Customers	767	33.8%	153	13.0%	142	12.5%
Customer 1	378	16.7%	70	5.9%	60	5.3%
Customer 2	317	14.0%	56	4.8%	52	4.6%
Customer 3	72	3.2%	27	2.3%	30	2.7%
Top 10 Customers	1,534	42.7%	286	24.2%	304	26.8%

Comparison of Financial Performance with Industry Peers

Companies	Revenue from operations	EBITDA	PAT	EBITDA Margin	PAT Margin	ROCE	ROE	Debt to Equity
	(Rs Millions)			(%)				Times
Tolins Tyres Ltd.	2,272	464	260	20.4	11.4	36.1	25.9	0.8
Indag Rubber Ltd.	2,512	166	156	6.6	6.2	4.4	6.8	
Elgi Rubber Company Ltd.	3,865	249	117	6.4	3	13.4	6.1	1.6
TVS Srichakra Ltd.	29,260	2968.1	1,078	10.1	3.7	11.1	9.7	0.8
GRP Ltd	4,614	507	226	11	4.9	16.7	13.6	0.7
Vamshi Rubber Ltd.	774.2	32.5	6.1	4.2	0.8	4.7	4.5	1.4

Domestic and Global Market Share

Product Category	Company Revenue	Indian Market Size	Global Market Size	Company Market Share in India (%)	Company Market Share in Globally (%)
Tyres	551	9,00,000	1,94,76,400	0.06%	0.00%
Retread Tyres	1,721	63,000	9,40,240	2.73%	0.18%

Track Record of Growth and Financial Performance

Key performance Indicators	Fiscal March 31		
	2024 Consolidated	2023 Standalone	2023 Standalone
Revenue from Operations	2,272.18	1,182.46	1,133.65
Gross Profit	630.74	236.82	184.62
Gross Margin (%)	27.76%	20.03%	16.29%
EBITDA	463.74	122.61	60.9
EBITDA Margin (%)	20.41%	10.37%	5.37%
PAT	260.06	49.92	6.31
PAT Margin (%)	11.45%	4.22%	0.56%

Capacity Installed and Capacity Utilization: Parent Company

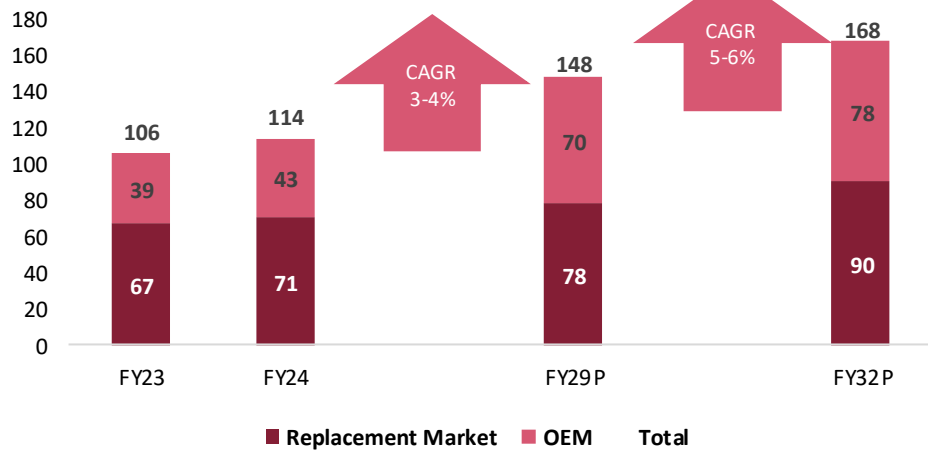
Sr. No.	Year	Installed Capacity	Annual Production	Capacity Utilization %
1	Name of the Product: Tyre	(Numbers)	(Numbers)	
	FY 2023-24	15,08,400	4,77,861	31.7%
	FY 2022-23	15,08,400	2,54,686	16.9%
	FY 2021-22	3,00,000	2,26,861	75.6%
2	Name of the Product: PCTR	(Tonnes)	(Tonnes)	
	FY 2023-24	11,286	5,397	47.8%
	FY 2022-23	11,286	2,708	24.0%
	FY 2021-22	11,286	3,118	27.6%
3	Name of the Product: Bonding Gum	(Tonnes)	(Tonnes)	
	FY 2023-24	2,100	504	24.0%
	FY 2022-23	2,100	236	11.2%
	FY 2021-22	2,100	299	14.2%
4	Name of the Product: Flap	(Numbers)	(Numbers)	
	FY 2023-24	4,32,000	1,81,626	42.0%
	FY 2022-23	4,32,000	34,928	8.1%
	FY 2021-22	4,32,000	69,192	16.0%

Capacity Installed and Capacity Utilization: Subsidiaries

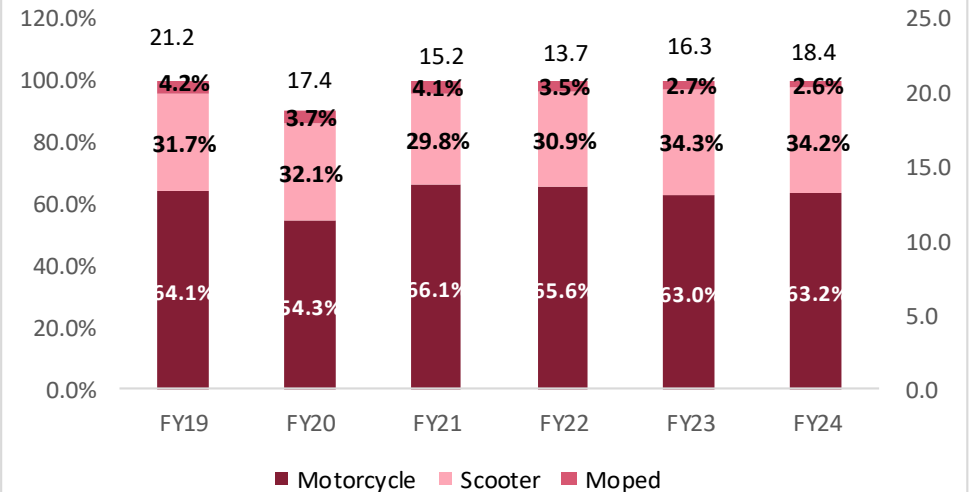
	Year	Installed Capacity	Annual Production	Capacity Utilization %
Tolin Rubbers Private Limited	Name of the Product: Bonding Gum	(Tonnes)	(Tonnes)	
	FY 2023-24	17,160	5,485	32.0%
	FY 2022-23	17,160	5,079	29.6%
	FY 2021-22	17,160	5,525	32.2%
Tolins Tyres LLC (One Person)	Name of the Product: PCTR	(Tonnes)	(Tonnes)	
	FY 2023-24	1,200	275	22.9%
	FY 2022-23	1,200	180	15.0%
	FY 2021-22	1,200	180	15.0%

Industry Overview

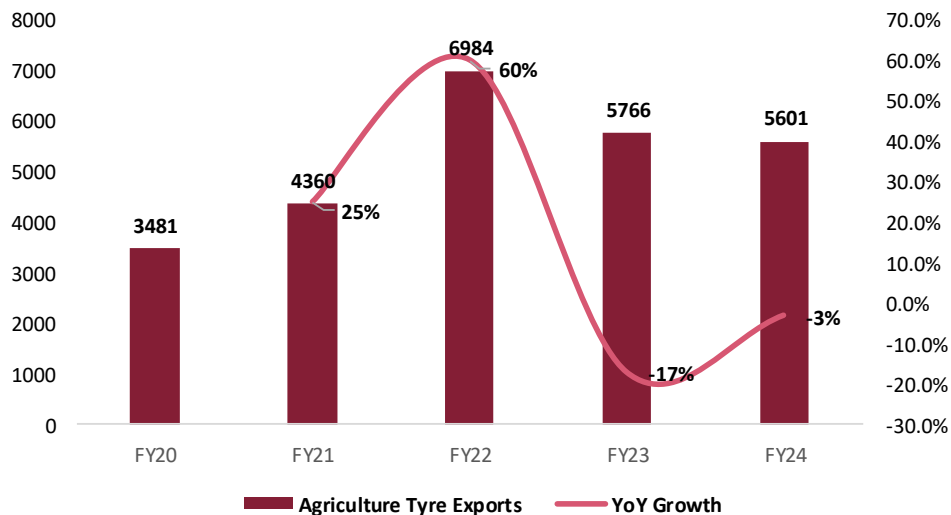
Outlook for demand of two-wheeler tyres (Mn Units)



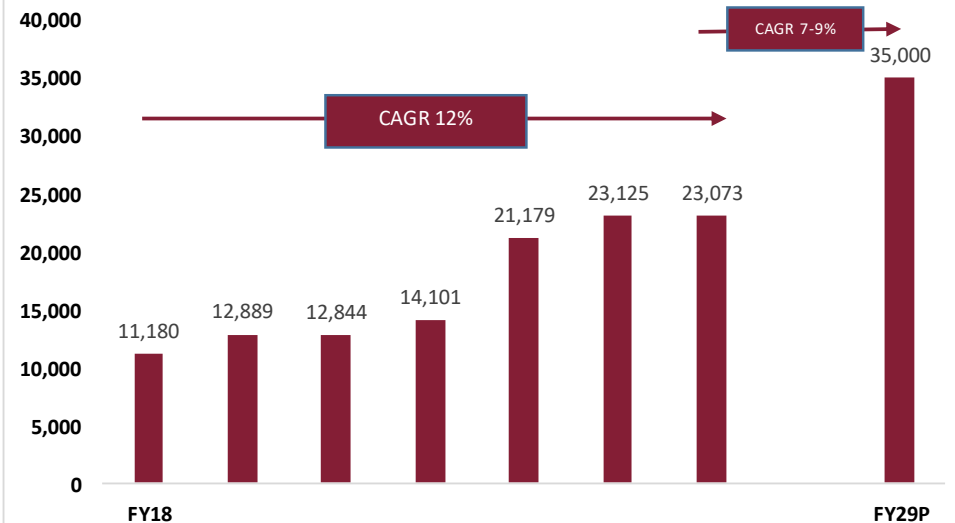
Domestic two-wheeler sales segmental trend



Agriculture Tyre Exports



Tyre Exports



INDSEC Rating Distribution

BUY : Expected total return of over 15% within the next 12-18 months.

HOLD : Expected total return between 0% to 15% within the next 12-18 months.

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NEUTRAL: No investment opinion, stock under review.

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