

IPO Details	
Opening Date	Feb 16, 2023
Closing Date	Feb 21, 2023
Stock Exchange	NSE SME
Lot Size	2000 Shares
Issue Price	₹ 62 per share
Issue Size	32,26,000 Equity Shares
Application Amount	₹ 1,24,000

IPO Objective	
Repayment or Prepayment or part repayment of Loan	
To Meet Working Capital Requirements	
General Corporate Purpose	
To Meet Public Issue Expenses	

Pre-Issue Shareholding		
Category	No. of Shares	% of Total Shares
Promoter & Promoter Group	89,52,800	99.20%
Public	72,200	0.80%

Promoter of the Company	
1	Mr. Janakkumar Mahendrabhai Patel
2	Mr. Rajeshkumar Prabhudasbhai Patel
3	Mr. Parichaykumar Maganbhai Patel
4	Mrs. Himaben Janakkumar Patel
5	Mrs. Nirmaben Rajeshkumar Patel
6	Mrs. Kenaben Parichaykumar Patel

Competitive Strengths	
1	Experienced Promoters and Management Team.
2	Widespread distribution network
3	Wide range of Products
4	Long standing relationship with distributors

Company Background	
○	Company was incorporated in the year 2018 in Gujarat.
○	Company is engaged in the manufacturing of rubber tubes for bicycles, two and three wheelers, passenger vehicles and heavy load industrial vehicles.
○	They also deal in ancillary products like Off The Road Tyre Tubes and Animal Driven Vehicle Tubes, Engine Oil and grease on white labelling bases.
○	They have also recently ventured into trading of Tyres through exclusive distributorship of Maxxis Rubbers Private Limited tyres for Turkey.
○	As on September 30, 2022, the Company has employed 37 employees at various levels of the organization and around 30 contract laborers.

Financial Summary			
	(In Lacs)		
For the Period Ended	Mar-21	Mar-22	Sep-22
Total Assets	2,713.32	2,898.38	3,405.87
Net Assets	493.56	640.47	1,098.19
Total Borrowings	2,047.89	1,996.09	2,003.36
Total Revenue	2,917.26	2,933.04	2,379.10
Profit After Tax	60.64	146.91	152.72

Tentative Timeline	
Opening Date	Feb 16, 2023
Closing Date	Feb 21, 2023
Basis of Allotment	Feb 24, 2023
Initiation of Refunds	Feb 27, 2023
Credit of Shares to Demat	Feb 28, 2023
Listing Date	Mar 1, 2023

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Company Overview

Company was originally formed by Mr. Keval Manuprasad Bhatt and Mr. Vaibhav Girish Kanakia in year 2018. Company is engaged in manufacturing of rubber tubes for bicycles, two and three wheelers, passenger vehicles and heavy load industrial vehicles. They also deal in ancillary products like Off The Road (OTR) Tyre tubes and Animal Driven Vehicle (ADV) Tubes, Engine Oil and Grease on white labelling bases. Further, they have recently started selling bicycle tyres which they get manufactured on job work basis, depending upon the market demands. They sell rubber tubes, bicycle tyres and ancillary products under the brand names. They sell their products in domestic as well as international markets. In order to capture more market share they are developing alternate brand.

They have recently ventured into trading of Tyres through exclusive distributorship of Maxxis Rubbers Private Limited tyres for Turkey. We have exclusive distributorship for selling tyres in the brand name Maxxis Rubbers Private Limited, for the territorial limits of Turkey. They have started the said business operations in the financial year 2022-23.

Analysis

Being in operations since 2018, the company is fairly new to the market. The company's core business can be divided in the following categories: -

- a. Sale from Manufactured Goods
- b. Sale from Traded Goods

Revenue bifurcation is shown below for your reference-

Particulars	For Period Ended		For the year ended March 31					
	September 30, 2021		2022		2021		2020	
	Sales	%	Sales	%	Sales	%	Sales	%
Two & Three-Wheeler Tubes & Passenger Car Tubes	814.79	34.60	1,502.20	51.45	638.79	21.92	391.20	19.69
Bicycle Tubes	923.99	39.24	1,260.04	43.16	1,240.76	42.58	463.18	23.32
Tyres	98.58	4.19	-	0.00	-	0.00	-	0.00
Ancillary Products	517.27	21.97	157.36	5.39	208.87	7.17	3.49	0.18

Trading of other products	-	0.00	-	0.00	825.58	28.33	1,128.64	56.82
Total Sales	2,354.62	100.00	2,919.61	100.00	2,914.00	100.00	1,986.51	100.00

It can be seen that their revenue is fairly divided amongst their products with its top line being Bicycle tubes and bottom-line being Tyres. Revenue from trading of other products have declined in the last two years. There has been a shift from sale of traded goods to sale from manufactured goods.

Geography wise, roughly 67% of the sales pertain to Gujarat followed by Rajasthan and Karnataka.

Export sales pertain to roughly 15% of the total sales of which the following countries form part of the list: Colombia, USA, Romania, Turkey and UAE. Turkey accounts for roughly 66% of the total exports.

They procure their raw materials from Delhi NCR, Gujarat, Kerala and other parts of India. Some of their raw materials include- natural rubber / EPDM rubber, calcium carbonate/ chalk powder, zinc, etc.

Their products include the following items-

Passenger Car Tubes	Bicycle Tubes
	

Two & Three-Wheeler Tubes



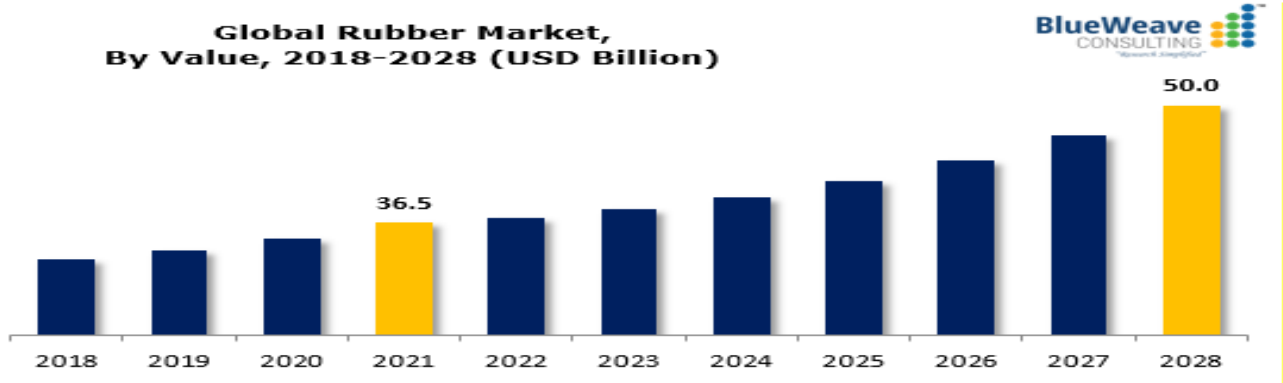
Their production facility with installed capacity of manufacturing 7,00,000 Tube per Month is located at Nandasan near Ahmedabad, Gujarat India.

No information regarding their capacity utilization has been provided in the prospectus hence no comments on the same can be made.

To conclude, the company is fairly new to the market. There are a lot of big and small players making it a very highly competitive market. However, there has been decent growth in the revenue and profit of the company.

Industry Charts

Exhibit 1: Global Rubber Market



Source: BlueWeave Consulting

Exhibit 2: Natural Rubber Contribution

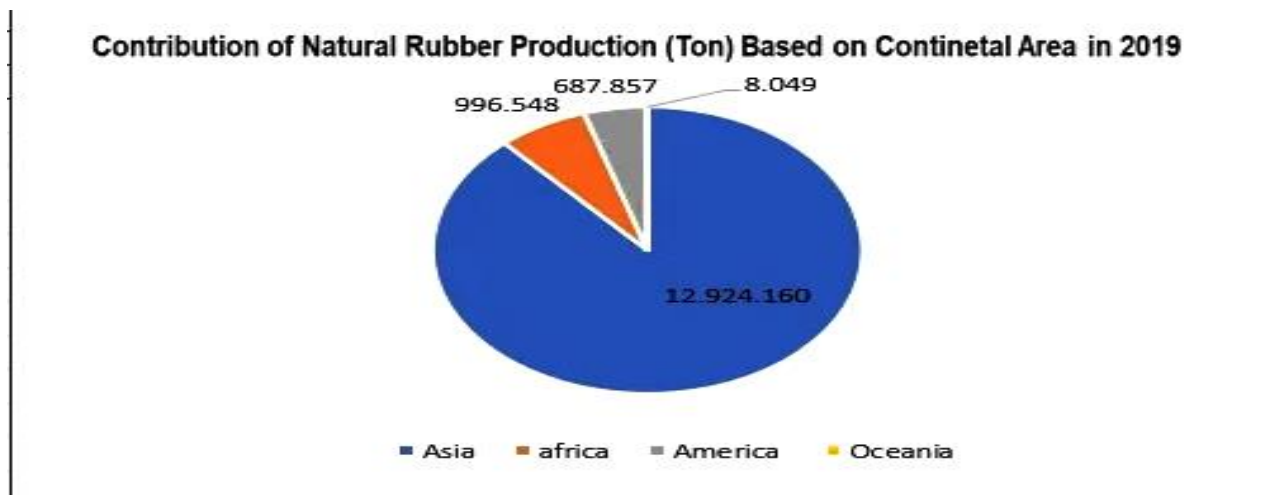
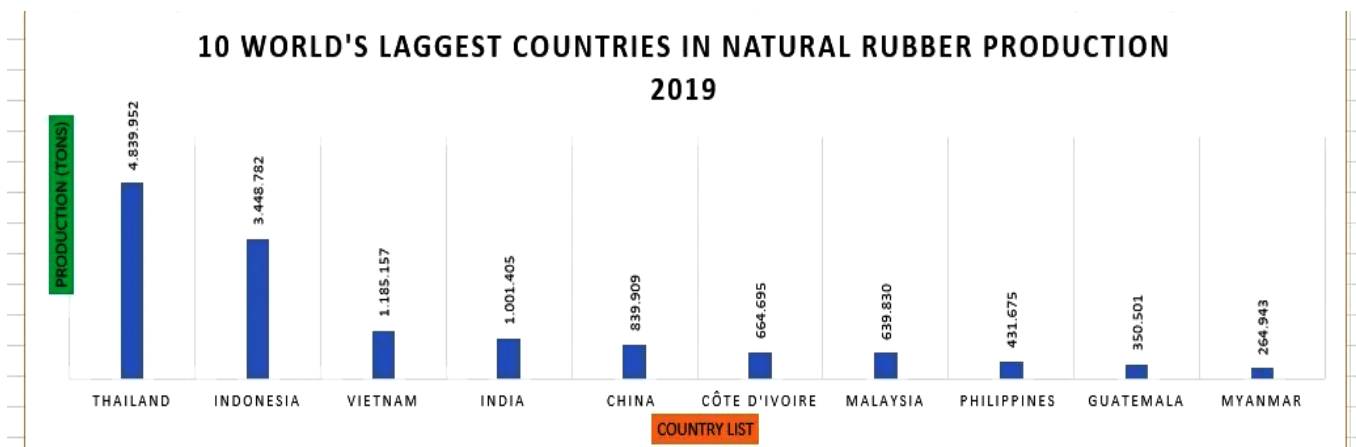


Exhibit 3: Top 10 NATURAL RUBBER PRODUCERS



Source- commerce.gov.in

Investment Overview

INDIAN RUBBER INDUSTRY

India's rubber consumption had increased 22% in 2021, and the use of both natural and synthetic rubber has increased. The global demand for rubber too had gone up in 2021, registering a growth of 11%.

The growth of the sector was supported by investments and regulatory measures taken by the government and the private sector. "The government introduced incentives and reforms to improve the business climate. The government's policy of self-sufficiency also played a crucial role in the growth of the sector.

The global rubber market size stood at US \$ 40.77 billion in 2019 and it is projected to reach US \$ 51.21 billion by 2027, exhibiting a CAGR of 5.3% during the forecast period. Properties such as heat and abrasion resistance make rubber a highly useful and valuable raw material in various end-use industries. It is mostly used in manufacturing products such as tyres, car tubes, adhesives, hoses, gaskets, and roll coverings. The rising demand from the automotive industry for tyre and non-tyre applications is one of the key rubber market trends. It is majorly used in the manufacturing of tyres due to its strong properties, such as tear resistance and toughness. It also works under low-temperature conditions. It is a perfect material for the manufacturing of tyres and hence, accounts for over 40% of the share in the overall tyre composition. Additionally, properties, such as weather resistance, insulation property, and flexibility increase the usage in industrial applications including transmission belts, elevators, and non-flat belts.

The COVID-19 pandemic has affected the market in the same manner as numerous disrupted industries across the globe. Silicone rubber is majorly used in the automotive industry for the manufacturing of tyres and several components. During this pandemic, several countries including China, India, Germany, Italy, Brazil, and Canada declared complete lockdown. This further led to the shutdown of production facilities, and raw material transportation. This epidemic has severely affected the supply chain of numerous manufacturing units. Since, both raw material supply and finished goods distribution is majorly affected, causing a massive drop in revenue. China is a major consumer of materials and an epicentre

of coronavirus, thus, inhibiting the development of the market. Restrictions over export and import of products such as tyres, general, and industrial goods acts as a factor for the decline of the market.

Rubber products find applications in various industries such as packaging, manufacturing, engineering, and construction. When combined with various polymers and chemicals, it provides sturdy outcomes in the production of products such as surgical supplies, respirators, pacemakers, etc. Some companies operating in the market are specialized in compounding rubber according to the specifications of customers to develop novel products. For instance, reinforced products such as drive belts, air brake diaphragms, and conveyors are built from calendered or coated rubber on a revolving or stationary drum. On the other hand, non-reinforced rubbers are formed and cured for the formation of a sponge. Hence, the development of novel products is expected to create immense growth opportunities for the market.

India ranks fourth among the top rubber consumers in the world. It is the third largest producer and is the largest producer of reclaimed rubber. Spurred economic growth and higher import duty and anti-dumping duty on tyres have contributed to the growth of the Indian Rubber Industry in recent years. The consumption of natural rubber has increased from 11,12,210 tonnes in 2018 to 12,11,940 tonne in 2019. The imports also increased by 24% in 2019 and 70% of the imports were through duty-paid channel. As in the previous years, 81% of imports were in the form of block rubber. The major factors behind the import are the differences in prices between domestic sheet rubber and international block rubber and shortage of rubber in the domestic market. The production capacity in India is around 9,00,000 tonnes, of which around 75% is tapped. Out of the total area under rubber in India of around 8,822,000 ha, 6,14,500 ha is a mature yielding crop.

Traditional rubber-growing states comprising Kerala and Tamil Nadu account for 81% of production. Major non-traditional rubber growing regions are the North Eastern states of Tripura, Assam and Meghalaya, Odisha, Karnataka, Maharashtra and West Bengal.

1. Robust Growth

- Due to a shift in supply chains, India can possibly increase its share in the global auto component trade to 4-5% by 2026.
- Due to high development prospects in all segments of the vehicle industry, the auto component sector is expected to rise by double digits in FY22.
- As the domestic and export demand picks up, the Indian automotive components sector could record a 23% increase in revenue in the next fiscal year.

2. Rising Indigenisation

- The growth of global original equipment manufacturers' (OEM) sourcing from India & the increased indigenisation of global OEMs is turning the country into a preferable designing and manufacturing base.

3. Increasing Turnover

- The Indian auto components industry is expected to grow to US\$ 200 billion by FY26. This growth will be backed by strong export demand which is expected to rise at an annual rate of 23.9% to reach US\$ 80 billion by 2026.
- The automobile component industry turnover stood at Rs. 4.20 lakh crore (US\$ 56.5 billion) between April 2021-March 2022 the industry had a revenue growth of 23% as compared to FY18-19.

4. Contribution to GDP and Employment

- The auto components industry accounted for 7.1% of India's GDP, contributed 49% to its manufacturing GDP and provided employment to 50 lakh people in FY21.

5. Growing Automobile Industry

- In 2020, India was the sixth-largest automobile producer worldwide, after China, the US, Japan, Germany and South Korea. The auto components industry is expected to become the third-largest in the world by 2025.

6. Electric Vehicles Push

- The global move towards electric vehicles will generate new opportunities for automotive suppliers. The mass conversion to electric vehicles may generate a US\$ 300 billion domestic market for electric vehicle (EV) batteries in India by 2030*.
- By 2025, 4 million EVs could be sold each year and 10 million by 2030.
- By 2026, India will need 4 lakh charging stations.

Advantage India

1. Robust Demand

- Growing working population and expanding middle class are expected to remain the key demand drivers. India is the fifth-largest automobile market globally.
- By 2025, 4 million of EVs could be sold each year and 10 million by 2030 The market is expected to reach US\$ 206 billion.
- With plans to reduce auto components' import dependence domestic players are expected to witness demand surge.

2. Competitive Advantages

- A cost-effective manufacturing base keeps costs lower by 10-25% relative to operations in Europe and Latin America.
- Presence of a large pool of skilled & semi-skilled workforce amidst a strong educational system.
- Second-largest steel producer globally, hence a cost advantage.

3. Policy Support

- Strong support for R&D and product development by establishing NATRiP centres.
- A dedicated policy FAME II was launched to incentivize electric vehicle consumption and support manufacturing.

- 100% FDI allowed under automatic route for auto components sector.
- The Indian government has outlined US\$ 7.8 billion for the automobile and auto components sector in production-linked incentive (PLI) schemes under the Department of Heavy Industries.
- Production Linked Incentive (PLI) schemes on automobile and auto components are expected to bring a capex of Rs. 74,850 crore (US\$ 9.58 billion) in the next five years.

4. Export Opportunities

- India is emerging as a global hub for auto component sourcing and the industry exports over 25% of its production annually.
- Auto component exports from India is expected to reach US\$ 30 billion by 2026.
- India has a competitive advantage in auto components categories such as shafts, bearings and fasteners due to large number of players. This factor is likely to result into higher exports in coming years.

Source- Prospectus

Addressable Market for Viaz Tyres Limited

As on September 30, 2022, they have total 15 domestic distributors for rubber tubes across India. Their distribution network is spread across 19 states, namely, Andhra Pradesh, Assam, Bihar, Chhattisgarh, Delhi, Gujarat, Haryana, Jharkhand, Karnataka, Kerala, Madhya Pradesh, Maharashtra, Punjab, Rajasthan, Tamil Nādu, Telangana, Uttar Pradesh, Uttarakhand, West Bengal.

Competition

Company operates in a highly competitive environment. There are many small and unorganised players in the market along with some players having better penetration in some geographical areas in which the company operates. The threat of new entrant is high.

Peer Analysis

The company has no listed peers as stated in its prospectus.

Promoters' Profile and Management Analysis

MR. JANAKKUMAR MAHENDRABHAI PATEL



- Mr. Janakkumar Mahendrabhai Patel is Promoter- Chairman cum Managing Director of the Company.
- He has completed graduation in Business Administration from University of Pune in year 2009.
- He is having experience of more than 10 years in rubber industry and more than 4 years of experience in food industry.

MR. RAJESHKUMAR PRABHUDASBHAI PATEL



- Mr. Rajeshkumar Prabhudasbhai Patel is Promoter and Whole-Time Director of the Company.
- He has completed higher secondary education from Gujarat Secondary and Higher Secondary Education Board in year 1998.
- He is having experience of more than 2 years in rubber industry and more than 4 years of experience in food industry.

MR. PARICHAYKUMAR MAGANBHAI PATEL



- Mr. Parichaykumar Maganbhai Patel is Promoter of the Company.
- He is having more than 4 years of experience in rubber industry.

MRS. HIMABEN JANAKKUMAR PATEL



- Mrs. Himaben Janakkumar Patel aged 34 years is a Promoter and Non-Executive Director of the Company.
- She has completed graduation in Commerce from Gujarat University in year 2009.
- She is having experience of more than a year as Independent Director in a food industry company.

MRS. NIRMABEN RAJESHKUMAR PATEL



- Mrs. Nirmaben Rajeshkumar Patel aged 40 years is Promoter of the Company.
- She is having more than 3 years of experience in the agriculture industry and dairy products.

MRS. KENABEN PARICHAYKUMAR PATEL



- Mrs. Kenaben Parichaykumar Patel aged 42 years is Promoter of the Company.
- She is having more than 3 years of experience in the agriculture industry and dairy products.

Analysis on the Company's Promoter and Board of Directors

Mr. Janakkumar Mahendrakumar Patel, aged 35 years is Promoter and Chairman cum Managing Director of the Company. He has completed graduation in Business Administration from University of Pune in year 2009. He is having experience of more than 10 years in rubber industry and more than 4 years of experience in food industry.

Mr. Rajeshkumar Prabhudasbhai Patel, aged 42 years is Promoter and Whole Time Director of the Company. He has completed higher secondary education from Gujarat Secondary and Higher Secondary Education Board in year 1998. He is having experience of more than 2 years in rubber industry and more than 4 years of experience in food industry.

Mrs. Himaben Janakkumar Patel, aged 34 years is a Promoter and Non-Executive Director of the Company. She has completed graduation in Commerce from Gujarat University in year 2009. She is having experience of more than a year as Independent Director in a food industry company.

To conclude, the company's individual promoters have decent experience in the industry in which the company belongs to. The independent directors of the company are also well experienced and could be a good driving force for the company.

Financial Snapshot

(Amount in Lacs)

Particulars	As at 31st March, 2021	As at 31st March, 2022	As at 30th Sept, 2022
Profit and Loss			
Revenue from operations	2,914.00	2,919.61	2,354.62
Other income	3.26	13.43	24.48
Total Revenue	2,917.26	2,933.04	2,379.10
Expenses	2,524.98	2,465.00	2,038.20
Depreciation and Amortisation Cost	185.22	144.33	63.48
Finance Cost	142.50	122.73	73.34
Total Expenses	2,852.70	2,732.06	2,175.02
PBT	64.56	200.98	204.08
PBT Margin	2.22%	6.88%	8.67%
EBITDA	389.02	454.61	316.42
EBITDA Margin	13.35%	15.57%	13.44%
Net Profit	60.64	146.91	152.72
Net Profit Margin	2.08%	5.03%	6.49%
Balance Sheet			
Total Borrowings	2,047.89	1,996.09	2,003.36
Net Worth	493.56	640.47	1,098.19
Fixed Assets	799.39	763.68	707.41
Net Working Capital	656.00	833.07	1,338.59
Financial Measures (Annualised)			
Inventory Turnover Ratio	3.51	3.37	4.08
Receivables Turnover Ratio	6.08	2.79	3.72
Payables Turnover Ratio	12.27	12.87	21.11
Fixed Assets Turnover Ratio	3.65	3.82	8.11
Return on Capital Employed	13.51%	18.77%	12.01%
Return on Equity	12.29%	22.94%	9.40%
Debt-Equity Ratio	4.15	3.12	0.62

(The data has been taken and calculated from the financials given in the prospectus)

Earnings Before Interest, Taxes, Depreciation and Amortization (EBITDA)

The EBITDA of the company has increased from Rs. 389.02 lacs in 2021 to Rs. 454.61 lacs in 2022 and on 30th Sept 2022 it was Rs. 316.42 lacs and if we annualise the same it would be around Rs. 632.84 lacs. The EBITDA on annualised basis has grown at a CAGR of 27.54%. The EBITDA margin in 2021 was 13.55%, 15.57% in 2022 and 13.44% up to 30th Sept 2022. CAGR seems healthy along with healthy EBITDA margins.

Net Profit

The net profit of the company has grown from Rs 60.64 lacs in 2021 to Rs. 146.91 lacs in 2022 and as on 30th Sept 2022 it was Rs. 152.72 lacs and if we annualise the same it would be around Rs. 305.44 lacs growing at a CAGR of 124.43 %. The net profit margin in 2021 was 2.08%, 5.03% in 2022 and 6.49% up to 30th Sept 2022. The Net Profit Margin of the company has increased drastically by roughly 3 folds.

Finance Cost.

The company's finance cost mainly due to short terms borrowings and long-term borrowings availed by the company.

Financial Measures/Ratios

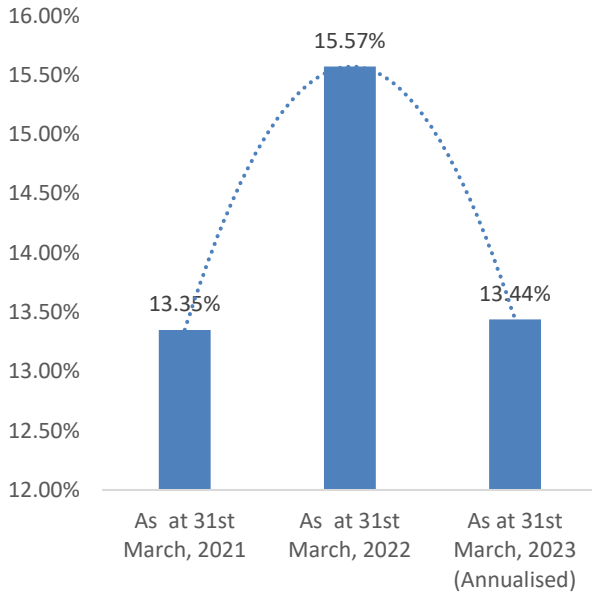
RoCE of the company up to 30th Sept 2022 is 12.10% vs 18.77 % in 2022 and 13.51% in 2021. If we annualise the ROCE of FY 2022-2023, the ROCE is expected to be around 12.01%.

ROE of the company in 2021 was 12.29%, 22.94% in 2022 and 13.91% up to Sept 2022, if annualised, ROE would be around 9.40%. The ROE likewise RoCE has seen a decrease. With increase of equity base, the ROE is expected to come further down on annualised basis resulting in an estimated CAGR of -12.55%.

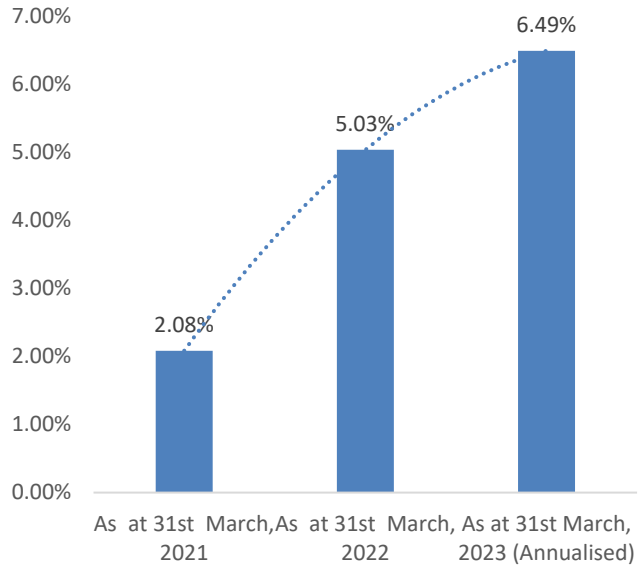
The company has a debt-equity ratio of 1.82 which shows the company is leveraged properly. The debt-equity ratio is going to go down to around 0.62 times post IPO.

Financial Charts

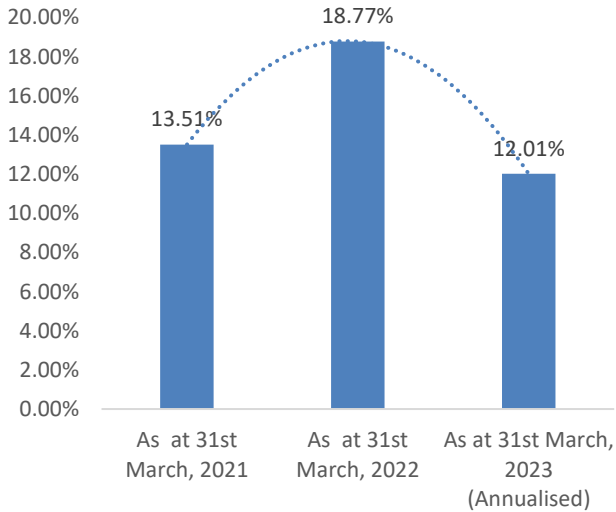
EBITDA Margin



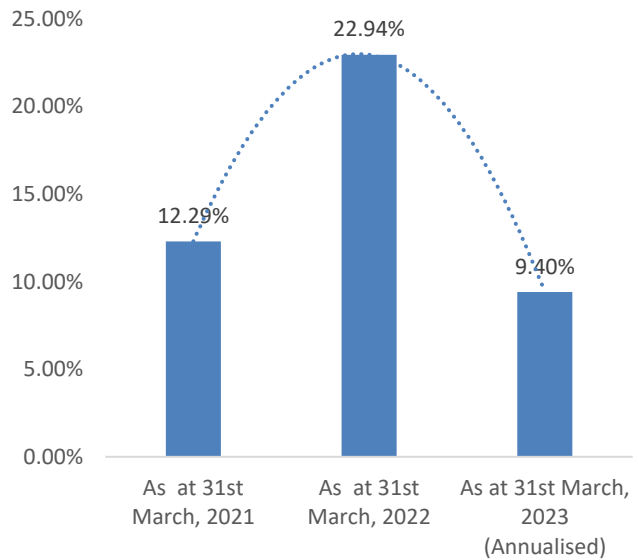
Net Profit Margin



Return on Capital Employed



Return on Equity



Key Risk Factors

1. Since the company has recently started their operations in turkey, due to recent natural calamities there, it might have an effect on the revenue of the company from exports in the coming months/years.
2. Company had negative cash flows from their operating activities, investing activities during the last two fiscal years.
3. Due to technological advancements and increased use of tubeless tyres, demand for this company's products might decline or not grow. In this regard, company will need to look for better business opportunities in the same line of business.

Track Record of Lead Manager

The lead manager to the issue is Beeline Capital Advisors Private Limited. A table has been set below highlighting the details of the IPO of some of the companies handled by the Lead Manager in recent times –

Sr. No.	Company Name	Issue Size in Cr.	Issue Price/Share (In INR)	Listing date	CMP# (INR)
1.	Jay Jalaram Technologies Limited	10.80	36.00	September 08, 2022	207.50
2.	Viviana Power Tech Limited	8.80	55.00	September 16, 2022	92.80
3.	Kandarp Digi Smart BPO Limited	8.10	30.00	September 28, 2022	18.00
4.	Trident Lifeline Limited	35.34	101.00	October 10, 2022	145.50
5.	Vital Chemtech Limited	64.64	101.00	November 14, 2022	96.10
6.	RBM Infracon Limited	8.37	36.00	January 04, 2023	83.50
7.	Aristo Bio-Tech and Lifescience Limited	13.05	72.00	January 30, 2023	69.00

CMP is taken as on 23rd February 2023

Recommendation

The company has been into this industry since 2018 and is fairly new to the market. However, the company has managed to make a small presence in the market by reaching the 25 crore turnover mark in just 5 years.

Revenue from operations and net profit margins have increased significantly which raises some concerns.

The management outlook of the company is decent since their qualification related to the educational front is not so strong.

The company is getting listed at a PE of around 34.73 times on post IPO basis which makes this issue a bit pricey.

In conclusion, the company has shown increasing revenues and net profit margins but the growth in the same raises some concerns. Also, one of the objects of the issue is to raise money for part repayment of loans. The debt-equity pre issue is very high coming about 3.12 times as on 31st March 2022. It would be too soon to make a strong comment on the company at this point of time and so Risk Averse Investors should wait and Risk Seekers should apply to this IPO.

Disclaimer

We are not SEBI registered and not a certified Research Analyst. The information provided here is for education purposes only. We will not be responsible for any of your profit/loss with these suggestions. Consult your financial advisor before taking any decisions.

We believe an SME company needs 2-3 years to show its true potential and therefore our recommendations are for Long-term investment and not for listing gains.