



## IPO Note

# Tolins Tyres Limited

Recommendation: **NEUTRAL!**

### Company Background -

- Tolins Tyres Limited was originally incorporated on July 10, 2003. The registered office is located at Ernakulam, Kerala, India.
- The company is engaged in manufacturing of new tyres and tread rubber.
- The 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.
- The company had 40 permanent employees and 161 contract employees as of March 31, 2024.

### Objects of the Issue -

- Repayment and/or prepayment, in full of certain outstanding loans (including foreclosure charges, if any) availed by the Company
- Augmentation of long-term working capital requirements of the company
- Investment in the 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
- General Corporate Expenses.

### Promoters Name -

Kalamparambil Varkey Tolin and Jerin Tolin

### Rationale for recommendation -

- ✓ The company's P/E is fully priced compared to the peer companies and the industry P/E.
- ✓ The company has seen a sudden jump in the bottom line of its financials.
- ✓ The company has had negative operating cash flows.
- ✓ The company has high geographic concentration.

### IPO Details

Opening Date	Sep 09, 2024
Closing Date	Sep 11, 2024
Allotment Date	Sep 12, 2024
Listing Date	Sep 16, 2024
Stock Exchange	BSE, NSE
Lot Size	66 Shares
Issue Price Per Share	₹215 to ₹226
Issue Size	230.00 Cr.
Fresh Issue	200.00 Cr.
Offer for Sale	30.00 Cr
	₹ 14,916 -
Application Amt	₹ 1,93,908 (66 to 858 shares)

### INDUSTRY - Tyre Industry

P/E Average - 34.17

KPI's	KPIs		
	(In Cr)		
	FY 22	FY 23	FY 24
Revenue	113.37	118.25	227.22
EBITDA	6.09	12.26	46.37
Net Profit	0.63	4.99	26.01
RoCE	15.89%	32.62%	39.06%
ROE	5.83%	25.70%	25.87%
P/E	645.71	88.63	23.74

### Promoter Share Holding Pattern

Pre-Issue	Post Issue
92.63%	68.53%

### Valuation Parameters

Particulars	Pre-Issue	Post Issue
EPS	9.52	6.58
BVPS	32.79	72.19
P/E	23.74	34.33
P/BV	6.89	3.13
Mkt Cap (In Cr)	692.90	892.90

### Lead Managers -

Saffron Capital Advisors Private Limited

### Registrar -

Cameo Corporate Services Limited

**Business Overview -**

Tolins Tyres Limited has been in the industry since 2003 and has vast experience in the industry. The company is in the manufacturing business of bias tyres and precured tread rubber.

The company markets and sells its tyres under the brand name “Tolins Tyres” and is primarily present in the Indian market and Exports to the Middle East, ASEAN region, and Africa.

The company caters to all three segments which are Exports, Domestic Sales, and OEM (Original Equipment Manufacturers). The company as of March 31, 2024, have a total of 8 depots and 3,737 dealers across the country.

**Manufacturing Facilities -**

The company operates through three manufacturing facilities out of which two are located at Mattoor in Kalady, Kerala where in one of the facilities is owned by the company and the other by its wholly owned subsidiary and the third one is located in Al Hamra Industrial Zone in UAE.

One of the manufacturing facilities of the companies owned is engaged in the manufacturing of complete compound mixing which is used by the company as a raw material to manufacture its products. Thus, slightly reducing the concentration or dependency on the suppliers.

The company currently have a consolidated capacity of 1.51 million tyre manufacturing, 12,486 tons of tread rubber manufacturing capacity and 17,160 tons of rubber compound. It is currently operating at an average capacity utilization of around 33.40% and intends to increase is it 75% capacity over the next few years.

**Raw Materials -**

**Rubber Compounds** – This is purchased from their own subsidiary Tolin Rubber Private Limited.

**Nylon Fabric** – The production of this raw material is usually with the use of crude oil as their source and the crude oil prices right now are increasing rapidly

**Bead Wire and Solvents** – This raw material is easily available in India reducing the supplier concentration.

**Products -**

**1. Tyres -**



**2. Tread Rubber -**



**Manufacturing Facility -**



## Competition -

- **Market Competition and Geographic Landscape:** The tyre industry is highly competitive and fragmented, with both organized and unorganized sectors competing across product range, pricing, and service.
- **Rivalry Among Existing Competitors:** The company face intense competition from both domestic giants like Apollo, MRF, and Ceat, as well as multinational companies like Michelin and Bridgestone. The top domestic players dominate over 80% of the market, adding pressure to retain the market share
- **Barriers to entry:** Global companies and potential domestic entrants could intensify competition
- **Bargaining Power of Suppliers:** High, Efficient sourcing and reducing redundancies will be key to managing supplier power.
- **Bargaining Power of Buyers: High,** Price-sensitive customers dominate the market, especially in the commercial and radial tyre segments

## Business Strategies -

- The company intends to increase the production capacity progressively in the next few years to go up to 75% capacity utilization under various product portfolios
- The company intends to collaborate with OEMs in India that possess high-end markets under their control.
- The company intends to trade in radial tyres.
- The company intends to identify opportunities in overseas jurisdictions and tie up with local partners to utilize the existing product portfolio.
- The company intend to acquire customers that can provide higher value contracts, increase the wallet share.
- The company intends to pursue inorganic growth opportunities through selective strategic acquisitions in the rubber and rubber related products.
- The company continues to invest in the in-house technology capabilities to develop customized systems and processes to ensure effective management control.

## PEER ANALYSIS

	Tolins Tyres Limited			Indag Rubber Limited			Vamshi Rubber Limited			Elgi Rubber Company Limited			GRP Limited		
	FY 22	FY 23	FY 24	FY 22	FY 23	FY 24	FY 22	FY 23	FY 24	FY 22	FY 23	FY 24	FY 22	FY 23	FY 24
NP Margin	0.6%	4.2%	11.4%	1.5%	5.2%	6.2%	0.1%	0.1%	0.8%	-4.0%	1.6%	2.8%	1%	3%	5%
EBITDA Margin	5.4%	10.4%	20.4%	4.2%	8.8%	10.2%	5.0%	4.3%	4.8%	4.4%	11.4%	13.9%	6%	7%	11%
RoCE	23.4%	27.2%	39.1%	1.5%	8.0%	8.8%	12.0%	13.9%	16.4%	0.0%	12.8%	13.4%	7%	12%	18%
ROE	5.8%	25.7%	25.9%	3.8%	12.6%	10.2%	0.0%	0.0%	0.1%	-49.9%	16.2%	20.0%	4%	9%	14%
EPS (INR)	0.35	2.55	9.52	0.99	5.04	6.14	0.10	0.24	1.45	-3.27	1.35	2.33	10.8	26.12	42.45
P/E	645.71	88.63	23.74	67.73	19.58	22.07	247.00	98.92	23.44	-13.62	21.67	20.86	13.33	5.51	3.39

**Indian Tyre Industry -**

The growing turnover of the Indian tyre industry in recent years can be attributed to increasing demand for vehicles, rising disposable incomes, increasing premiumisation of vehicles and tyres, the industry venturing into the luxury segment, growth in exports and reduction in import of tyres.

The turnover has doubled in a decade from Rs 46,000 crore in fiscal 2013 to Rs 90,000 crore in fiscal 2023. The domestic tyre industry is dominated by major players such as Apollo Tyres, Balakrishna Industries, Bridgestone, Ceat, JK Tyres, MRF and TVS Srichakra. These companies account for more than 80% of the tyre market in terms of revenue.

Global companies such as Michelin, Bridgestone, Goodyear and Maxxis have set up their manufacturing units in India. However, their share in the overall Indian tyre market continues to be low with customers being price sensitive.

**Tyre Exports -**

Tyre exports from India have seen flat growth this year. The global economy's challenges from recessionary conditions, rising interest rates, political upheaval, and a weakening of external demand impacted the growth momentum of Indian tyre exports

CRISIL MI&A forecasts overall tyre exports to increase by 7-9% in fiscal 2029, with the two-wheeler tyre segment leading the growth. Indian two-wheeler OEMs' strong market presence in African and Latin American countries, along with the enhanced reputation of Indian tyre brands, will support this expansion. However, exports in other segments are likely to decline due to decreased demand from advanced economies in Europe and America. India's tyre exports declined to Rs 23,075 crore in fiscal 2024 from Rs 23,125 crore in fiscal 2023.



**Key Management -**



<b>Key Management Persons Name -</b>	<b>Dr. Kalamparambil Varkey Tolin</b>
<b>Age</b>	54
<b>Designation and No. of years of experience</b>	Promoter, Chairman and Managing Director, 32 years of experience in the field of tyre and treads industry.
<b>Qualification</b>	Bachelor of arts degree, doctorate in production management with special relation to tyre industry.
<b>Roles and Responsibility</b>	Currently oversees business strategies and marketing in the Company
<b>Other Directorships</b>	

<b>Key Management Persons Name -</b>	<b>Jerin Tolin</b>
<b>Age</b>	46
<b>Designation and No. of years of experience</b>	Promoter, Non-Executive Non-Independent Director, 25 years of experience in operations
<b>Qualification</b>	Bachelor of science degree in mathematics, and bachelors of science degree in mathematics.
<b>Roles and Responsibility</b>	-
<b>Other Directorships</b>	-

<b>Key Management Persons Name -</b>	<b>Sankarakrishnan Ramalingam</b>
<b>Age</b>	51
<b>Designation and No. of years of experience</b>	Whole-time Director , 40 years of experience in the field of banking and merchant banking
<b>Qualification</b>	Bachelor of science degree, diploma in industrial chemistry.
<b>Roles and Responsibility</b>	corporate governance, compliance and overall management of the Company
<b>Previous Associations</b>	-

<b>Key Management Persons Name -</b>	<b>Joseph P M</b>
<b>Age</b>	50
<b>Designation</b>	Independent Director
<b>Qualification</b>	Qualified MBBS from Kempagowda Institute of Medical Sciences, a diploma in Orthopaedics
<b>Roles and Responsibility</b>	-
<b>Other Directorships</b>	-

<b>Key Management Persons Name -</b>	<b>Sankar Parameswara Panicker</b>
<b>Age</b>	53
<b>Designation</b>	Independent Director
<b>Qualification</b>	Bachelor of Commerce degree, bachelor of law degree, Institute of Cost Accountants of India
<b>Roles and Responsibility</b>	-
<b>Previous Associations</b>	he is in legal practice and is a partner at Panicker and Panicker, Advocates.

<b>Key Management Persons Name -</b>	<b>Cris Anna Sojan</b>
<b>Age</b>	31
<b>Designation and No. of years of experience</b>	Independent Director
<b>Qualification</b>	Institute of Chartered Accountant of India.
<b>Roles and Responsibility</b>	-
<b>Other Directorships</b>	self-employed as an independent practicing-chartered accountant



## FINANCIAL SNAPSHOT

## Statement of Profit and Loss

Amt in Crores

Particulars	FY 22	FY 23	FY 24
Revenue from Operations	113.37	118.25	227.22
Other Income	1.02	1.43	1.48
<b>Total Income</b>	<b>114.39</b>	<b>119.68</b>	<b>228.69</b>
<b>Expenses</b>			
Cost of Material Consumed	99.25	100.76	175.91
Changes in Inventories of Stock in Trade	-4.34	-6.20	-11.76
Employee benefits expense	3.65	3.32	6.89
Finance Cost	4.30	5.05	11.58
Depreciation and Amortization expense	1.96	1.61	3.37
Other expenses	8.72	8.10	9.81
<b>Total Expenses</b>	<b>113.53</b>	<b>112.65</b>	<b>195.80</b>
<b>EBITDA</b>	<b>6.09</b>	<b>12.26</b>	<b>46.37</b>
<b>EBITDA Margin</b>	<b>5.37%</b>	<b>10.37%</b>	<b>20.41%</b>
<b>Profit/(Loss) before tax</b>	<b>0.85</b>	<b>7.03</b>	<b>32.90</b>
<b>Tax Expense</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>
Current tax	0.33	1.95	6.55
Deferred Tax	-0.10	0.09	0.35
<b>Total Tax Expense</b>	<b>0.22</b>	<b>2.04</b>	<b>6.89</b>
<b>Profit/(Loss) for the year</b>	<b>0.63</b>	<b>4.99</b>	<b>26.01</b>
<b>Net Profit Margin</b>	<b>0.55%</b>	<b>4.17%</b>	<b>11.37%</b>

## Statement of Assets and Liabilities

Amt in Crores

Particulars	FY 22	FY 23	FY 24
<b>EQUITY AND LIABILITIES</b>			
<b>1. Shareholders' funds</b>			
Share Capital	1.40	5.00	15.33
Other Equity	9.43	14.42	85.20
<b>Total Equity</b>	<b>10.83</b>	<b>19.42</b>	<b>100.53</b>
<b>2. Non-current liabilities</b>			
Financial Liabilities			
(i) Borrowings	15.07	13.10	8.80
(i) Lease Liabilities	-	-	-
Provisions	0.08	0.10	0.45
Deferred tax liabilities	-	-	0.28
Other Non Current Liabilities	0.01	0.01	0.02
<b>Total Non-current liabilities</b>	<b>15.16</b>	<b>13.21</b>	<b>9.55</b>
<b>3. Current liabilities</b>			
Financial Liabilities			
(i) Borrowings	33.80	33.93	69.97
(ii) Lease Liabilities	-	-	-
(iii) Trade Payables	-	-	-
(a) Outstanding Dues to MSME	-	0.92	0.97
(b) Outstanding Dues to other than MSME	38.71	12.31	31.52
(iv) Other Current Financial Liabilities	0.25	1.98	1.75
Other current liabilities	0.16	0.18	1.06
Provisions	0.01	0.01	0.04
Current Tax Liabilities (net)	0.22	1.86	6.21
<b>Total Current liabilities</b>	<b>73.15</b>	<b>51.19</b>	<b>111.51</b>
<b>Total Liabilities</b>	<b>88.32</b>	<b>64.40</b>	<b>121.07</b>
<b>Total Equity and Liabilities</b>	<b>99.14</b>	<b>83.82</b>	<b>221.60</b>
<b>ASSETS</b>			
<b>1. Non-current assets</b>			
Property, Plant and Equipment	12.21	19.17	29.49
Capital work-in-progress	8.18	-	10.18

Particulars	FY 22	FY 23	FY 24
Goodwill	-	-	20.81
Other Intangible Assets	0.10	0.08	0.07
Financial Assets	-	-	-
(i) Investments	-	-	-
(ii) Other financial assets	0.42	0.50	1.40
Deferred Tax Assets	0.10	0.01	-
Other non-current assets	0.01	0.01	0.01
<b>Total Non-Current assets</b>	<b>21.01</b>	<b>19.77</b>	<b>61.96</b>
<b>2. Current assets</b>			
Inventories	22.52	36.96	83.84
Financial Assets	-	-	-
(i) Investments	-	-	-
(ii) Trade receivables	36.85	23.83	64.00
(iii) Cash and cash equivalents	0.47	0.38	0.88
(iv) Bank balances other than (iii)	0.70	0.43	1.79
(v) Other financial assets	1.10	1.09	1.61
Current Tax Assets (net)	-	-	-
Other Current Assets	16.49	1.37	7.52
<b>Total Current assets</b>	<b>78.13</b>	<b>64.06</b>	<b>159.64</b>
<b>Total Assets</b>	<b>99.14</b>	<b>83.82</b>	<b>221.60</b>

Cash Flow Statement	Amt in Crores		
Particulars	FY 22	FY 23	FY 24
Net Cash Flow from Operating Activities	2.53	1.82	-3.59
Net Cash Flow from Investing Activities	-2.57	0.03	-54.13
Net Cash Flow from Financing Activities	0.10	-1.94	57.71

### Key Ratios

Per Share Data	FY 22	FY 23	FY 24	Valuation Ratios (x)	FY 22	FY 23	FY 24
Diluted EPS	0.35	2.55	9.52	EV/EBITDA	9.61	5.35	3.81
BV per share	35.31	63.35	327.90	Market Cap / Sales	0.79	0.76	0.39
<b>Operating Ratios</b>				P/E	645.71	88.63	23.74
EBITDA Margins	5.37%	10.37%	20.41%	Price to Book Value	6.40	3.57	0.69
PAT Margins	0.55%	4.17%	11.37%	<b>Solvency Ratios</b>			
Inventory days	72.50	114.08	134.68	Debt / Equity	4.51	2.42	0.78
Debtor days	118.66	73.56	102.81	Current Ratio	1.07	1.25	1.43
Creditor days	139.61	45.04	61.47	Quick Ratio	0.76	0.53	0.68
<b>Return Ratios</b>				Asset Turnover	1.14	1.41	1.03
RoCE	15.89%	32.62%	39.06%	Interest Coverage Ratio	0.96	0.77	8.86
RoE	5.83%	25.70%	25.87%				

**LEAD MANAGER TRACK RECORD -**

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

**Saffron Capital Advisors Private Limited –**

<b>Sr. No.</b>	<b>Company Name</b>	<b>Issue Size in Cr.</b>	<b>Issue Price/Share (In INR)</b>	<b>Listing Date</b>	<b>CMP* (INR)</b>
1.	Udayshivakumar Infra Limited	66.00	35.00	Apr 03, 2023	65.7
2.	DCX Systems Limited	500.00	207.00	Nov 11, 2022	327

The company has handled 2 mandates in the past three years (including the current year).

\*CMP for the above-mentioned companies is taken as of 9<sup>th</sup> Sep 2024.

As per the offer document, from the above-mentioned mandates one has opened at a discount and another on premium on the listing day.



## Recommendation -

Tolins Tyres Limited has been in the industry since 2003 and has good experience in the industry. The management overview of the company is not very satisfactory.

The P/E on a post-IPO is 34.33 times which makes it slightly highly priced by looking at the performance of the company and its peers. The industry average PE is 34.17 times.

The company operates in a highly fragmented and competitive market with many established and big players. The company has had negative operating cash flow for FY 2024. The company has seen a sudden jump in the bottom line of its financials which raises concerns and is a risky investment. The company has a high concentration towards geography as well. Considering all the above-mentioned points this investment is categorized under high risk.

Thus, we have an **NEUTRAL** opinion to this IPO.

## Disclaimer

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