"Tolins Tyres Limited Q4 FY '25 Earnings Conference Call"

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MANAGEMENT: **DR. K. V. TOLIN – CHAIRMAN AND MANAGING DIRECTOR, TOLINS TYRES LIMITED**
MR. SOJAN C. S. – CHIEF FINANCIAL OFFICER, TOLINS TYRES LIMITED
MR. SANKARAKRISHNAN RAMALINGAM – NON-EXECUTIVE DIRECTOR, TOLINS TYRES LIMITED

Moderator: Ladies and gentlemen, good day and welcome to the Q4 and FY '25 Earnings Conference Call of Tolins Tyres Limited hosted by Adfactors PR.

We have Dr. K. V. Tolin - Chairman and Managing Director; Mr. Sojan C. S. - CFO and Mr. Sankarakrishnan Ramalingam - the non-executive Director at Tolins Tyres Limited.

As a reminder, all participants' lines will be in the listen-only mode and there will be an opportunity for you to ask questions once the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing '*' then '0' on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Dr. K. V. Tolin. Thank you and over to you, sir.

Dr. K. V. Tolin: Thank you and good evening, everyone. Thank you for joining us today on Tolins Tyres Earnings Call for the 4th Quarter and full year ended March 31st, 2025. It is my pleasure to speak with you today as we reflect on a year of transformational progress and sustained financial outperformance.

FY '25 has been a pivotal year for Tolins Tyres. In the face of global macroeconomic uncertainties, raw material price volatility and logistical disruptions, we delivered a 28.7% year-on-year revenue growth alongside 49% increase in net profit. This outcome reflects not only our operational agility and strategic foresight, but also the fundamental strength of our diversified business model which includes a well-balanced portfolio across geographies and products, committed to innovation, cost optimization and market diversification has yielded this commendable results.

Our international business, especially through our UAE operations, continues to be a robust growth driver. This combined with the strong domestic traction positions as well for the continued performance in FY '26 and beyond. On a broader scale, the Tyre industry in India is undergoing a structural transformation driven by powerful demand side trends. The two-wheeler segment where we have a strong footprint is expected to grow at a CAGR of 5%-7% fueled by pricing rural incomes, electrifications and the gig economy. The passenger vehicle segment is forecasted to grow at 6%-8% CAGR supported by premiumization and raising vehicle penetration.

Commercial vehicles and tractors too are experiencing positive trends with a projected growth of 4%-6% CAGR driven by infrastructure momentum, government incentives and higher replacement demand. Most notably, tyre exports from India are projected to grow at 9.6% CAGR, an area where Tolins Tyres is strategically well placed with exports to over 40 countries across the Middle East, Asia and Africa. The Indian Tyre industry saw a moderate recovery in FY '25 after facing a volatile FY '24. While OEM demand remained stable, the replacement segment witnessed a healthy uptake driven by increased freight movement and infrastructure development. Rubber prices saw fluctuation during the year those stabilizing in H2 FY '25.

The Retread segment globally is gaining momentum. As cost-conscious logistic companies increasingly adopt eco-friendly retreading solutions over new tyres, a trend that directly benefits our PCTR segment. According to the Automotive Tyre Manufacturers Association ATMA, tyre production volumes grew 7%-8% year-on-year in FY '25 with replacement demand contributing over 65% of total volumes. However, raw material prices, especially natural rubber and crude based inputs, demand volatile, impacting margin profiles across the industry.

On the international front, the trade volatility in Europe due to geopolitical tension slightly offset the gains. Tyre markets in Southeast Asia and Africa demonstrated resilience despite geopolitical uncertainties, export demand from Africa and GCC regions remains steady. The Retread segment, particularly PCTR Precured Tread Rubber is gaining increasing acceptance globally due to its cost effectiveness and alignment with environmental goals. As logistic companies seek ways to cut cost and reduce carbon footprint, retreading is gaining a second meet, especially in commercial fleet operations.

I am happy to share that we ended FY '25 on a strong operational note. Tyre division we sold 3.93 lakh tyres in FY '25, reflecting a 45.7% year-on-year growth. Utilization improved to 36.86% versus 31.68% in FY '24, driven by ramp up in domestic demand and expansion in Tier 2 and Tier 3 markets. Precured Tread Rubber, total PCTR volume stood at 4245 tons with a capacity utilization at 43.49%. Our wholly owned foreign subsidiary, Tolins Tyres LLC also contributed with 36.24% utilization, up from 22.92%. Exports stood at 6.40% of the total revenue in FY '25. We are also seeing improved traction in Middle East and East Africa. This will remain a key focus area for FY '26. Against this backdrop, our operational focus on capacity enhancement, product innovation and margin protection has delivered concrete results.

During the year, we also achieved a sharp reduction in debt from Rs. 61.8 crores to just Rs. 0.7 crores, significantly strengthening our financial foundation. Capacity utilization has improved for our tyre manufacturing segment and at the same time, we see solid traction for all of our products across the board as can also be visible from the improved production numbers. We also maintained our ROCE to 15.7% and have consistent profit margins reaffirming the effectiveness of our operational controls and the capital allocation strategy. Looking ahead, we are focusing on expanding manufacturing utilization to 75% over the next few years, broadening our product portfolio across high margin and high demand segments and deepening our presence, both domestic and key international markets. We are also actively exploring strategic acquisitions to further strengthen our capabilities in other and allied sectors.

In summary, we are building a future ready innovation led and financially sound organization. We remain steadfast in our mission to deliver strong long-term sustainable value to our stakeholders.

With that, now, I invite our CFO – Mr. Sojan C. S. to walk through the financials more detail. Thank you. Over to, Mr. Sojan C. S.

Sojan C. S.: Thank you, Tolin sir. And good evening, everyone and thank you for being with us today. Let me walk through the key financial highlights for both 4th Quarter, and full year ended 31st March 2025.

Quarterly performance for Q4 FY '25. Revenue for the company stood at Rs. 69.53 crores in quarter 4. EBITDA for the quarter was Rs. 13.6 crores with an EBITDA margin of 19.5% up from 16% in Q4 last year. This margin expansion reflects operating leverage and a better product mix. PAT for the quarter came in Rs. 9.3 crores up by 32.6% year-on-year and earnings per share stood at Rs. 2.56 reflecting robust profitability and financial efficiency.

Performance for the full year FY '25. On a full year basis, we recorded operational revenue of Rs. 292 crores, up from Rs. 227 crores in FY '24, a 28.7% year-on-year growth. EBITDA came in at Rs. 55.8 crores at 20.2% year-on-year growth with a margin of 19%. PAT for FY '25 was Rs. 38.7 crores compared to Rs. 26 crores in FY '24. There is an increase of nearly 49%. We have also made major strides in delivering our balance sheet, reducing debt from Rs. 61.8 crores to Rs. 0.7 crore, which not only lowers our interest burden, but also strengthens our credit profile. Our current ratio now stands at 7% and return on capital employed stands at 15.7% underscoring our improved capital productivity.

Segmental and subsidiary highlights:

Our wholly owned foreign subsidiary Tolins Tyres LLC in UAE has contributed significantly to our revenue and margin growth. The UAE facility enhances our access to GCC markets and act as a strategic export hub. Our product mix continues to evolve in favor of higher margin products and we are also reaping benefits from our backward integration into Bonding Gum, Vulcanizing Solutions and Tubes.

Strategic priorities added. As we step into FY '26, our financial strategy will revolve around daily utilization and improving throughput efficiency at our 3 manufacturing facilities, investing in innovation and R&D to support product diversification and maintaining prudent cost control and working capital discipline even as we explore inorganic growth avenues.

In conclusion, we are entering a new fiscal year with strong momentum, a robust balance sheet and a clear path towards profitable growth. Thank you and we look forward to your questions.

Moderator: Thank you, sir. We will now begin with the question-and-answer session. The first question comes from the line of Divakar Rana from Prudent Equity. Please go ahead.

Divakar Rana: Hello, sir. Good afternoon. My first question is on the Apollo offtake agreement. So have you started shipping?

Dr. K. V. Tolin: Yes, we have started shipping. It has already been operational and we are going to the next phase in the second quarter onwards.

Divakar Rana: So we started from Q1, right?

Dr. K. V. Tolin: No, Q4 of FY '25.

Divakar Rana: Which month, sir? I think we got the agreement in the month of November, so?

Dr. K. V. Tolin: December.

Divakar Rana: In a rough calculation, sir, can this offtake agreement contribute around Rs. 100 crores to your topline in this financial year?

Dr. K. V. Tolin: No. Sankarji.

S. Ramalingam: Mr. Rana, basically, there is a two-way agreement to the existing white labeling contract manufacturing on the PCTR, it has been signed-up with Apollo Tyres. Initially, our proposals were twofold and out of which the first proposal was that we will do the entire outsourcing and manufacture under the Dura Brand, the Apollo brand, and be given to them. And so that the entire purchases, revenue booking everything will accrue into our books, which will enhance revenue line and the profits on the contract will automatically get accrued to the Tolins balance sheet, but initially in order to have the supply chain secured, they had already procured materials for a reasonable period of time for PCTR. So for the initial few months, the manufacturing contract that has been entered into is they would supply all the raw materials required for the product. We would manufacture them under our dedicated facility, which has been created for Apollo Tyres within our Kalady factory, an existing factory. And we will only be eligible for the conversion charges, which is equivalent to our earlier proposal of whatever margins that we need to protect, which is around 8.5%-9% is what we have signed with them. So the first few months after November signing, December onwards, the first quality control checks, standard operating procedure, all those things were checked and from December end onwards, the first consignments have started going out. So during the 4th Quarter of Financial Year '24-25, it has contributed something close to about Rs. 1-Rs. 1.25 crores of conversion charges that has accrued to us, which if we had done through an outsourcing methodology would have probably added to about equivalent amount of turnover in the topline, etc. Right now, we are engaged with them for two things, one is to enhance the capacity of current production lines because the requirements are huge and they had closed down the entire PCTR facility all over the country, Apollo Tyres. So the quantum of the outsourcing is also going to be stepped up periodically. Now, it will be doubled from whatever quantum that we have been doing for the 4th Quarter from the 1st quarter onwards and we are already engaged in discussion with them and closer to finalization that since they are also exhausting their existing raw material supplies that they have got under them, the entire contract will be outsourced to us maintaining the same profitability margin. So from this year, there are good chances that though the margins will continue to be protected, then there will be a quantum jump in terms of the sales as well as the purchases also. This is the clarity that I want to give you. So far whatever has been executed is only on the conversion charges.

Divakar Rana: Yes, clear. So the next question is basically, sir on the consolidated basis, your employee cost is rising as a percentage of the revenue. So I believe we have hired some people, employees in the execution of this order, right?

S. Ramalingam: We have, because see if you look at the capacity utilization of Tyres and PCTR, both here as well as in the overseas subsidiary as well as in the Indian subsidiary, I will give you product wise. FY '24 in tyres we were only at about 31.68% of capacity utilization. And this year, we have been able to up the capacity by FY '25 to the extent of almost about 5.34%. So 5% increase in capacity utilization, an increase in number from 2,88,829 tyres to 3,93,253 tyres, the substantial increase requires quite a number of organized labor to be recruited in the production channels. See, basically what we had done prior to the IPO, you are aware that the promoters had gone in for acquiring Rado Tyres. Then, the promoters had also invested heavily prior to IPO to the last 2 years in increasing the capacity utilization. That is why our IPO or the next 3-4 years of time, we will not have the constraint with regard to capacity. So capacity has been adequately built. The IPO was targeted mainly with regard to the repayment of loan, making the company debt free and also augmenting some working capital towards seamless manufacturing facility to be taken care of. So the overheads had gone up primarily on account of the recruitments that have taken place both in the Tolins Tyres' tyre manufacturing unit, then in the subsidiary with regard to PCTR, again if you will see from 31.22% in replacement market PCTR Tread Rubber manufacturing facility capacity utilization, it has gone up to 43.49%. In terms of tonnage, it has gone up from 2154.85 tons to about 4245 tons of PCTR manufacturing. So all these expanded capacity utilization requires the overheads to go up because for quite a period of time that we have not had a wage division. So one on account of the wage division for the existing employees, second, in terms of the employee benefits and the third is on account of the increase in number of people that have been recruited with regard to cater to the increased capacity utilization. So these are the 3 components that have contributed to the increase in wages. And if you still go through the operational efficiency of the company vis-a-vis the rest of the peer comparison competitors, employee productivity wise vis-a-vis the turnover, Tolins is the lowest in the industry.

Divakar Rana: Two more questions.

S. Ramalingam: Go ahead, please.

Divakar Rana: So do you plan to basically hire more employees in the coming quarters? I believe the capacity utilization will be?

S. Ramalingam: I think it will be on an ongoing basis, this will keep increasing because right now during 24-25, we have taken two major steps. One is to rope in the PCTR front, a white-labeling contract with Apollo Tyres. So obviously the volumes are going to pick up there, which will require more number of people to be recruited. So as we go to the next higher levels of growth and the higher levels of capacity utilization right now, we are at an average of 35%-40% of capacity utilization. We want to reach a threshold of about 75% in the next 3 years' time. So year-on-year, as we keep ramping up the capacity, there will be requirement of people on the ground and we will continue to recruit. But that will again commensurate with more cash flows, more revenue growth and things like that. So it is not going to impact the margins, or it will only facilitate better utilization of capacity and more revenue to accrue from the stakeholders point of view.

Divakar Rana: And sir, last question, so what kind of growth are you looking for this financial year, revenue growth?

S. Ramalingam: I think conservatively, we are company, you are aware that we have never been in the habit of guiding for the next year, but given the robust domestic as well as the international market scenario and the huge demand that is developing around our overseas subsidiary in Ras Al-Khaimah, we are conservatively looking at about 20% CAGR, though the internal numbers are a little higher. But to commit, we always, every word of what we spoke in the roadshows in the IPO, be it Apollo Tyres contract, be it TVS Motors on Tyre Manufacturing or be the capacity utilization or making the company debt free or maintaining the profitability margins or stopping the raw materials during March every year to higher levels. So that July to August, there is no tapping of rubber that happens during the monsoon time. So there is an artificial increase in raw material prices. So we almost talk up to about 6 months stocking for every March in the last 5 years. So all these strategies, whatever that we explained, we have maintained every word of it. So we are conservatively looking anywhere between 20%-25% CAGR growth in tune with what we did in 24-25. And our aim is to protect and enhance better product mix and supply chain efficiency to improve by at least a few basis points, the profitability margins.

Divakar Rana: Thank you, sir, and good luck for the future.

S. Ramalingam: Thank you so much.

Moderator: Thank you. The next question comes from the line of Keshav from Counter Cyclical PMS. Please go ahead.

Keshav: Sir, thank you very much for this opportunity, sir, and I am new to the company, so please pardon my ignorance. Sir, I am trying to understand that roughly one-third of our revenue is coming from sale of tyres. So this sale of tyre is basically refurbished tyres that we are selling. We are basically buying scrap tyres or old tyres, getting them retreaded and then selling them is that the model?

S. Ramalingam: No, sir. We are actually in 2 main segments and in some ancillary segments. The main segments are original tyre manufacturing and original Tread Rubber manufacturing for the replacement market. The company started as a retreading company only and only in the year 2005 onwards, we got into a very small original tyre manufacturing in two-wheelers. Now, we have ramped up the facility, now our sale composition is almost about 65.84% is tread rubber. We still continue to be a replacement market player largely and about 34.16% is new tyre manufacturing and in the new tyre manufacturing also, we are not present in all the segments. We are only in two-wheeler, three-wheeler and we are not in passenger cars etc., tractors and agricultural tyres, LCV also. So these are the small segments which are growth oriented in nature where even the CRISIL report reflects that these are the 3-4 segments within the tyre industry which is going to grow in double digits. So those are the segments that we are present. And our distribution channel also is very widely held. We are not dependent on public sector undertaking, etc. Our products are mostly sold through 3377 distribution network across the country and through over 8 depots which are very strategically located across the country. This is our business model. And in terms of the ancillary business, we are also into like what the CFO and our Chairman explained, we are also in the ancillary products of Bonding Gum, Flaps, Tubes and some Rubber compounds. Thank you.

Keshav: Right. Sir, basically, we are manufacturing brand new two-wheeler, three-wheeler tyres from scratch. Is that correct?

S. Ramalingam: Absolutely, right.

Keshav: And sir, that business has nothing to do with the retreading part of the business? They are 2 independent businesses?

S. Ramalingam: No, both are 2 different verticals of the company.

Keshav: Yes, of course, they are in the same company, but they are 2 separate businesses. There is no basically connection between the 2.

S. Ramalingam: Yes, one is the new tyre manufacturing, another is the replacement market product.

Keshav: And sir, in the new tyre, only two-wheeler and three-wheeler tyres we are manufacturing?

S. Ramalingam: Two-wheeler, three-wheeler, LCV and tractor tyres.

Keshav: LCV and?

S. Ramalingam: Tractor tyres, agricultural tractor tyres.

Keshav: So are we selling the tyres to OEMs or to replacement?

S. Ramalingam: About 10% of our sales go to OEM. The remaining 90% goes through the distribution market.

Keshav: Right, sir. Sir, so the tyre business is more profitable or the retreading business.

S. Ramalingam: I think margin wise it is almost the same. In Tyres, we are at about anywhere between 9%-9.5% of PAT is what we are able to realize.

Keshav: Sir, now, if we see all the other retreading companies like INDAG Rubber is there, Eastern Tread is there, Elgi Rubber is there, which are all listed. Sir, so the industry is not doing well at all, they are stuck in low single digit operating margins and sir, I think GST has also in fact adversely impacted the industry because there the input credit is not available because tyre I think the logistics is in 5% GST bracket. So hence there is no import. Sir, please correct me if I am wrong, but sir basically, the unorganized sector has actually got a boost post GST, sir, is that understanding correct?

S. Ramalingam: No, I think I will put it in two different ways. With regard to the comparison of companies that you mentioned, you mentioned it right and your observation also is absolutely valid. See the business model, if you had listened to my opening remarks, I mentioned that our channel of distribution of revenue and sales is through our 8 depots and the distribution network that means there are two different set of markets that are available in India for Retreading. I am talking only about retreading now because you mentioned some of INDAG Rubber and all those kind of companies. So I am making my reference with regard to that. Most of those companies are all volume driven. And they are all dependent on the public sector undertaking business. Tolins is never into the public sector undertaking business at all. The main reason being you will lose on volume, but the public sector undertaking business is tender based. In tender, what happens is it is always cost plus model. So if you get into a tender and do a contracting with let us say one of the state rate transporting undertakings, if there is a hike in the raw material cost, your profitability will get impacted. Let us say INDAG participate in about 10 tenders during the financial year, in about 5 or 6, they will be making profits, in about 3-4, they will be losing out on the margins because of the hike or volatility in the raw materials as well as in the crude oil prices. So in effect what happens is out of those 10 contracts that tenders that they have serviced, the net margin cumulatively taking the profits and losses into account, they will end up at a lower margin, which is the case, which is what is happening with organized players at a higher level when they go for volumes. What we have consciously tried to do in Tolins is never participate in any of the State Transport Corporation because our capacity and products, we have been in the retreading line for almost about 35-40 years now and our distribution channels and the depots and the connect to the customer to large commercial vehicle fleet owners who are the main users of this replacement market on the retreading material, is very strong. So we have continued to maintain our presence only through that. So we are able to for every retreading material, every ton of retreading material sold, we are still able to protect, retain the margin and also have the operational efficiency and the supply chain efficiency leading to our revenue sales keeping our demand intact. So this is the basic difference.

Keshav: Sir, I understood no government business point that you made, and which is obviously low margin and cut throat business which you are not participating in that point is well appreciated, sir but as far as the logistic companies are concerned who own a fleet of truck like for example, we are logistic who they have, I think 6000 trucks. So now if you service them, then will they be able to claim input credit?

S. Ramalingam: Yes, of course.

Keshav: So that is not a problem.

S. Ramalingam: That is never a problem. Only problem is actually for the tyre and PCTR manufacturing companies. The problem that we face is see the moment because since we have a distribution network in the depot network, we are actually once our fleet of trucks leave with the finished goods to these distributions and to our own godowns, the moment it crosses the E-Way bill from our own factory gate, same day, 28% GST is levied. By the time, the sales happen and the realization of this 28% comes back, there is a lead time of about 120 days. So basically, your Tyre manufacturing or a PCTR manufacturing company has to have a very efficient Working Capital Management System because the gestation period for working capital is quite long. So whether the Industry Association has represented this particular factor to the government, the government has always come up with the reply that since there is an anti-dumping duty and there is a ban of Chinese goods in India, the demand in India for tyre industry in the last 3 years has been very robust and Europe and the US have also have banned the Chinese tyres. So there is a huge export market which the top players like MRF, JK Tyres, CEAT, and Apollo and all those people are catering, so it has opened up a big avenue and opportunity for all of them. So because that opened up market concession has been given by government, the revisit on the GST and percentage is still not happening. So this is the current scenario.

Keshav: Right, sir. Now, sir, coming to our international business is far more profitable, the UAE business than the domestic business, sir, so going forward, sir, how is the mix expected to change? Is it that the contribution of international operations is going to increase in our overall revenue and hence the margins should increase? Sir, basically you already told us to expect 20%-25% sales growth, sir, but what about margins? What kind of margins should we expect on a consolidated basis?

S. Ramalingam: There is a good scope for improvement there because right now our Ras Al-Khaimah unit in UAE is only operating at about 36.24% of capacity. And with the current environment of Trump, tariffs, etc., UAE is one country where there is no tariff that is applicable. And it will be very heartening to note that Tolins Tyres Ras Al-Khaimah unit is the only unit in the entire Middle East which is into PCTR manufacturing. So there is a good scope. There is of course some challenge with regard to the receivables. Because that market is also open to China and China is normally the habit of dumping and not only dumping, there is an extended one year credit period which Chinese company extend to that mark. And so what we are trying to do is step up the exports from Ras Al-Khaimah into other markets, especially Middle East and Africa in a measured way where we are not participating with these Chinese companies in terms of the long gestation receivables and only to amenable countries and amenable partners where we are still able to graduate. Now, for example, from 22% of capacity utilization of FY '24, we have moved up 12% notch in the last one year. So there is good scope and there is good opportunity and with no competition of manufacturer being there and the markets being very robust, I am very sure that FY '25-26 will see substantial focus being put on Ras Al-Khaimah in order to improve not only the capacity utilization and revenue but also try and scale up the margin flow on the consolidated level.

Keshav: So what kind of margins should we expect on?

Moderator: I am sorry to interrupt Keshav, if you have any more questions, can you please fall back into the queue, so?

Keshav: Yes, sure. Thank you.

Moderator: Thank you. The next question comes from the line of Prashant Galphade from ISJ Securities. Please go ahead.

Prashant Galphade: Thank you for the opportunity, sir. I have two questions. Sir, my first question is what percentage of our sales come from OTR Tyre? And my second question is, do PCTR using radial tyre and tubeless tyres? Thank you, sir. These are two questions from my side.

S. Ramalingam: Both the questions answer is simple. We are not in OTR segment. Second, we are not in radial tyre segment. As I explained earlier in my question to Mr. Keshav, we are only in two tyres, two-wheelers, three-wheelers, LCV and agricultural tyres and mainly for commercial vehicle tyres is where the retreading goes. And that is exactly the market that we have concentrated in a large manner in terms of pushing our quantum of sales. So the OTR's and rest of the things that we are not there. But there is a current evaluation by the top management for the last few months, especially to get into OTR on a contract manufacturing basis where under the Tolins brand, somebody will make the tyres and your presence would probably get created during the Financial Year '25-26 in that particular segment. Radial tyres is something which is not in the outlook because we feel that it is already a very overcrowded market and there are two large players already present there. Our main focus in terms of improvisation of margins etc., is mainly in the retreading market. So that is where the main focus will be. That is where we are.

Prashant Galphade: Thank you, sir.

Moderator: Thank you. The next question comes from the line of Pranav Shrimal from PINC Wealth Advisory. Please go ahead.

Pranav Shrimal: I just had a few questions, sir. Sir going forward, have you any CAPEX plan for this year?

S. Ramalingam: As explained prior to the IPO itself, 2 years preceding the IPO, IPO was never in the radar as far as Tolins Tyres was concerned. So in terms of catering to the demand etc., and also to increase the presence in the original tyre manufacturing, the promoters had gone ahead in 2021-22 itself to go ahead and acquire brand new tyre manufacturing facility from Rado Tyres in Kerala itself to take the quantity to your capacity 5x more and also in PCR they had invested heavily in the machinery to ramp up the capacity. So both in tyres as well as in PCTR, we have adequate and more capacity at our disposal, which does not warrant any CAPEX requirement, which is why if you observe in our RFP that we had only gone in for the repayment of loans, augmentation of working capital to be the main objects and also to investments in the subsidiary, etc. So whether it is in main standalone unit of Tolins Tyres or in the rubber compound manufacturing subsidiary of TRPL or in the Ras Al-Khaimah unit, they are all now currently even after ramp up in FY '25, they are all between 35%-40% of the capacity utilization. So for the next 3 years at least, there will be no necessity to go in for any capacity utilization, we simply have to work on the operational efficiencies, product mix, geographical penetration and little bit of more OEM concentrations or ramping up the production facility with the TVS Motors on Tyres as well as Apollo Tyres on the PCTR etc. So there will be no requirement of any CAPEX for the next 3 years.

Pranav Shrimal: Got it, sir. And so going forward, how much capacity do we expect Apollo to take up?

S. Ramalingam: No, it is getting ramped up because they have now closed down the entire PCTR production all over the country and have started outsourcing. It took almost a year for Apollo to freeze the vendor, which is Tolins now. They were in the evaluation with so many units about at least 7 or 8 of them and finally it got down to 2-3 and finally and the quality which is what Tolins is known for in the market for the last several decades and the cost efficiency etc., they have now zeroed down to us. So these are like the initial stage in college where you are trying to get a foothold and test whether everything is going as per the plan. The first experience for Apollo in the last quarter of Financial Year '24-25 has been pretty good for them. So obviously from this quarter onwards that small quantity is getting doubled. So I am sure in the next 1 or 2 years, the quantity will consistently keep growing higher and higher, leading to higher revenue growth and protecting the margins etc., is the way we look at it. We are not putting any numbers because the pressure comes mainly from OEM to us. We are not putting any extra pressure on extracting volumes.

Pranav Shrimal: So is there any fixed volume commitment or sales commitment that Apollo has made?

S. Ramalingam: As I explained in the earlier question, the quantification of revenue will happen probably during the year because we are moving away in the contract from the conversion charges into your full-fledged outsourcing. So once the full-fledged outsourcing starts sometime from the next quarter or end of this quarter, then we will know what exactly is the quantum that they are going to be giving, but it will be a very decent and sizable one. And we are extremely confident that this relationship between Tolins and Apollo is going to grow from strength to strength and Apollo Tyres will be only one of the top-notch OEM customer for us in terms of percentage to revenue.

Pranav Shrimal: Got it, sir. Thank you so much and best of luck.

Moderator: Thank you. The next question comes from the line of Keshav from Counter Cyclical PMS. Please go ahead.

Keshav: Sir, the point you were making about the profitability of PCTR, which basically is under stress for most industry players due to the participation in low margin state transport government business. Sir, but now if we are dealing with giants like Apollo Tyre, so will they not also squeeze us in terms of margin and credit period and so on, so that we will end up making a very low return on capital on that Apollo business?

S. Ramalingam: I will answer it in two ways, Keshav. First thing is we don't compromise on quality. We don't compromise on our operating margins. If it is not fitting within that there is enough and more demand for our products within the country itself, we will continue to deal through our 3700 distributors and the 8 depots to compensate because Apollo was never in the radar till 2024, in the last 40 years. It is an entrant only in this year. And there is a dare need for Apollo to be operating with Tolins; one in terms of the market demand that they have got on hand; two, to retain their brand; three, at the end of the day, the difference between margins is what 150 basis points or 200 basis points is nothing but the kind of quality that they are able to extract from us, so I don't foresee that as a challenge at all. I think we are well positioned and in fact, I don't know whether I can make that bold statement that it is a mutually dependent relationship where the dependency on Apollo on us is little high.

Keshav: Great, sir. Sir, coming to the operating margins on consolidated basis, we are doing something like 19%-20% operating margin, sir, will this margin hold or sir, I understand recently rubber prices have increased, so will that adversely impact our margins or sir, what should the shareholders expect as far as operating margin is concerned?

S. Ramalingam: All I can say is we will protect the margins.

Keshav: Sir, 20% margin, we can assume going forward?

S. Ramalingam: I have always mentioned in every road show as well as in the earlier earning calls that we never give a particular percentage. We always operate keeping the raw material volatility for which we have taken adequate and enough steps. If you look at our balance sheet, we are holding about Rs. 139 crores of inventory as of March, whereas through the entire year, if you see the average holding will be hardly about 2.5 or 3 months. So every month of March, we stock the highest keeping in view that we are proximity to the natural rubber production center in Kerala from our factory and from the month of June onwards, invariably up to about August, there is no tapping of rubber that takes place, creating an artificial demand in the market. Thereby the raw material prices will always northwards. So in order to insulate us and in order to protect our margins, we always stock for about 5-6 months of our next financial year requirements so that we are not hit by the volatility in the raw material prices, which is why in the last 3 years, we have been able to protect retail and have a very efficient supply chain efficiency and production of margins in terms of profitability. In terms of going back to your original question, I would probably put it that we would always operate in the region of about 17%-20% on the EBITDA side and about 10%-13% on the profit margin side. And the net profit margins in our case is slightly better compared to the rest of the players because we have a very strong Ras Al-Khaimah unit which is operating almost at about 20%-22% of the PAT margin business that we are able to get there because of no taxation and being only manufacturing unit in the entire Middle East.

Keshav: Sir, now, if we see our receivables, sir, you explain why inventory has increased and it makes a lot of sense to stock up, sir now, but as far as the receivables are concerned, our consolidated revenues increased by around 28%, but receivables have increased by 56% year-on-year, sir, so is it a just a temporary increase and it will come down going forward or is this the new normal of?

S. Ramalingam: You have to always Keshav look at it on an average basis, you can't go by your 31st March figure alone in terms of deciding the number of days of receivables, etc. Through the year, if you see, we are always at about 77-80 days of receivables, which is the market practice. Now, probably we are at 117 because of 2 factors; one because of the sales that has happened in March, which will get subsequently realized in April and May, number one. Number two, as I explained, we have a consolidation of Ras Al-Khaimah unit, which has got a longer gestation of receivables. So on consolidation, those figures also will come into account. If you do a standalone analysis, we are still at the same level of last year for the Indian unit. So it is a consolidation effect and there we are competing with China and those people are giving one year credit into the market whereas we had restricted ourselves not more than 3-4 months. So that is the basic difference.

Keshav: Great sir. Sir, so going forward, sir, are we planning to expand our product portfolio like I think something to that if it is mentioned in the investor presentation also sir, so what exactly are we planning to launch some new kind of tyre which we earlier not manufacturing or what exactly are we planning on that side?

S. Ramalingam: Tolins is known for innovation. Tolins is known in the market for quality. Tolins is known more in the market for different varieties of SKU's within the existing product lines that we come up with. So this has been established over the years, so there will be new varieties of tyres, new varieties of product mixes both in the PCTR as well as in the new tyre manufacturing and there are also some plans in respect to expanding the product base with regard to working with few players on an outsourcing model where they would manufacture certain tyres under our brand in the segments in which we are not present like one of them which I mentioned was OTR etc. Those are the plans which are still ongoing, and I am sure Dr. Tolin is a Doctorate in Tyre Technology etc., and he has been working with a very high-end R&D professionals who have been with him for more than 15 years, 20 years of experience. So I am sure as and when something matures, a relevant announcement and intimation to that effect once it gets crystallized will be put out in the public domain.

Keshav: Sure, sir. And, sir, as far as our retreading operations?

Moderator: I am sorry to interrupt Keshav, could you please rejoin the queue if you have more questions.

Moderator: Yes, sir. Thank you.

Moderator: Thank you. The next question comes from the line of Dhaval Jain from Sequent Investments. Please go ahead.

Dhaval Jain: Hello, sir. Sir, I am on the slide #11 of the presentation and shows me the sales mix that we have had and I am just seeing that our tread rubber and tyre split has kind of from 75% of tread rubber, we are down to 65% and the tyres have increased from 25%-34%. So I just wanted to understand that the tread rubber, if I see a Y-o-Y growth is just 12% whereas tyres is around 80%, if I see the Y-o-Y growth. So I just want to understand that going forward, is the growth going to be similar pattern or is that?

S. Ramalingam: Next 3 year's time, we want to actually get both the segments equal 50-50. The revenue in the next 3 years would be 50% from PCTR, 50% from tyre manufacturing.

Dhaval Jain: And also the fact that I want to know if you can provide me the margins with the tread rubber as well as tyres if you can?

S. Ramalingam: No, I think tread rubber will be about 100-150 basis points at PAT level, higher than that of the tyres.

Dhaval Jain: If tread rubber is higher and the tyres is like 100-150 basis points lower, if we got 50-50, on the console basis we might have a little bit of margin dip, if I am correct?

S. Ramalingam: Sir, I am talking about the current date. When we get into the increase in percentage of market penetration, obviously, we will go in with product mix and products which are going to probably enhance our profitability mix and use our geographical positioning on the UAE front also in protecting the margins. Whatever we do will be always at the behest of protecting the margins, it is not something that you have to achieve 50-50 even if it is the sacrifice of margins, no.

Dhaval Jain: And one more on the same point that we have our domestic versus the exports a bit skewed right now, like it is 94%, whereas it used to be 83%. So is there any figure on our mind that we want to have that split geographically?

S. Ramalingam: We want to go from 6.7% to at least 10% this year.

Dhaval Jain: And that will be still lower than the 17% that we did in FY '24?

S. Ramalingam: See, 24 was a different challenge because it had few markets where we had experience for the first time and when there is lack of. See there is no great incentivization in terms of the penetration into export market. The domestic market realization and margins itself are much better and there are huge challenges in the export market, especially in the areas where there is presence of a Chinese portfolio also. Because you may get a little better margin, you may have some percentage accrued in terms of exports, but the realization period becomes much longer. So if we are able to have, whereas if you are going to go into the developed markets like Europe and the US, etc., then it is a different story. So that is something which is work in progress for penetration into those kind of markets. Thank you very much to everybody.

Moderator: Thank you, sir. Ladies and gentlemen, we will take that as the last question for today. On behalf of Tolins Tyres, that concludes this conference. Thank you for joining us and you may now disconnect your lines.