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## TINNA RUBBER & INFRASTRUCTURE LTD



# Company Snapshot

- **Two Phase Buying Strategy = Buy 50% qty between INR 390-400 (CMP = 390 as on 21st Apr '23) and rest 50% qty around Rs 350**
- **Price Target = INR 750 in next 12 months & INR 2000+ in next 5 years.**
- **This stock can deliver ~35% CAGR over the period of next 5 years.**

- **Tinna Rubber & Infrastructure Limited (TRIL), was founded in 1977 under the visionary leadership of Mr Bhupinder Kumar Sekhri.**
- **The company transforms end of life tyres into rubber and steel, which further have application in new tyres/conveyor belts and other rubber moulded products and roads. Steel derived during the process is used for making steel abrasives. TRIL's business model is one of the foremost models of benefits of circular economy.**
- **The company is a one stop shop and caters to the entire gamut of recycled rubber applications including road and non road sector.**

Market Cap: ₹ 334 Cr.	<b>Current Market Price: ₹ 390 (21<sup>st</sup> Apr 2023)</b>	52 Week high/low: ₹ 726/210
PE : 16.2	ROE: 23.4%	ROCE: 22.8%
Mcap/Sales = 1.27	Promoter's Holding: 73.8%	Debt to Equity: 0.77
Dividend Payout :20.3 %	Pledged Percentage: 0.00%	PEG ratio: 0.59
Sales Growth (5Y) : (28)%	Profit Growth (5Y) : (31)%	Free cash flow (5Y) : ₹ 64.9 Cr.

Source: Screener.in, As on 21<sup>st</sup> Apr, 2023

# Mohnish Pabrai's Investment Philosophy

**“Heads I win, tails I don't lose much ”** - Mohnish Pabrai - It means picking up less risky stocks, but, on the upside, it also has a wide possibility of profit.

**Pabrai suggests investors follow the footsteps** of another successful investor rather than innovating a strategy. He emphasises being patient to let the market work. As an investor, he picks up stocks with low P/E ratio and high yields, typically unfavourable stocks. When he identifies such stocks, he stacks the odds of success by creating a wide margin of safety and then bet big.

## Understanding 'low risk, high uncertainty' investing

He explained that a combination of low risk, high uncertainty is unusual since the two parameters move in the opposite directions. High risk means higher chances of loss, while uncertainty refers to a wide range of possible outcomes. When the market is confused between Risk and Uncertainty, he pointed out those moments as profit opportunities.

Pabrai suggested that investors need to think like entrepreneurs who search for low-risk business opportunities with high return.

## Invest in well-established businesses with a slow rate of change

According to him, investing in well-established businesses with a well-defined business model ensures long term return. These businesses are less risky than startups, but they can earn a decent profit even with a slight change in their business strategy. Following this requirement alone eliminates 99 percent of possible investment alternatives.

- **Our latest recommendation is one such company from recycling of End of Life tyre waste Industry. Tinna Rubber and Infrastructure Ltd was founded with the vision To continuously innovate and apply environment friendly technologies for conversion of waste into value added products with the aim to maximize stakeholder value.**
- **It is only Listed Entity caters to the entire gamut of recycled rubber applications including road and non road sector. It offer its product in the domestic as well as international market with the mission “To become the largest fully integrated waste tyre recycling company in India and amongst the top 10 in the World by 2025”.**

# Industry Overview (1/3)

## Road Sector Industry

### Rubber Crumb: Addressable Market size in Road/Infrastructure Sector

- Aggressive **New Road Construction Speed: 30 Kms Per Day**
- **CRMB Requirement per Km of Road: 25 MT**
- Annual market Size for CRMB for New Roads: 2.75 Lac MT
- CRM Market Size (10% input in CRMB): 27,500 MT
- Bitumen Consumption in India: 7 Million MT
- Potential market for CRMB: 7 lakh MT
- **90% of bitumen used in India is in road construction**, while balance of 10% shared equally for roofing & waterproofing
- **90% of this demand provided by domestic production**, remaining 10% is imported, mainly from the UAE and Iran
- **Current Modified Bitumen Market is 1,50,000 to 2,00,00MT or 3-4% of total Bitumen Market**
- **Estimated Emulsion requirement as % of Bitumen Consumption: 6% to 8%.**
- Emulsion Market Size: 4 Lac MT
- The average emulsion required per Km is approx. 10-12 Mt which gives a market of approximately 3-3.6 lac MT annually.

## Growth Drivers

- **GOI in process of making use of CRMB mandatory on the top layer of all road surfaces.** With the GOI policy to construct more roads, the consumption/ demand for bituminous products is likely to grow.
- **The government has kept the development of roads at a high priority**, allocating >10% of total spending from 2012-17 to the road sector.
- **Increasing spends on infrastructure industry** (especially roads) and inclusion of modified bitumen in roads as per revised MORTH (Ministry of Road Transport and Highways) Guidelines.
- **The Length of Rural Roads in India is approximately over 4 Lakh Kms and on average, the work being done on these roads is approximately 30,000 Kms.** The average emulsion required per Km is approx. 10-12 MT which gives a market of approximately 3 - 3.6 lac MT annually.
- **The market currently growing at 30% annually**, as more and more departments are converting from the hot mix technology to the cold mix technology.
- In India, there are over 150 Emulsion Manufacturers out of which **very few are manufacturing Cold Mix Emulsion.** The government of India is opting for cold mix technology for hilly areas which is going to expand the market for emulsion.

# Industry Overview (2/3)

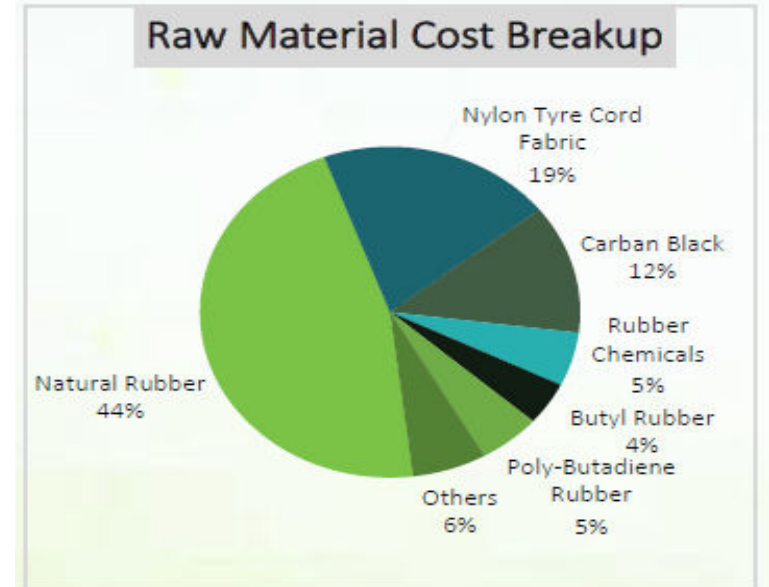
## Non-Road Sector Industry

### Crumb Rubber Industry:

- The floor mats application segment is expected to expand at a rapid pace during the forecast period. Floor mats consume between 50,000 MT of crumb rubber yearly.
- Sport and playground surfaces are projected to consume a higher number of crumb rubber due to the lack of buffing.
- Sport and playground surfaces use more than 30,000 MT of crumb rubber yearly.
- Demand for more walking trails is anticipated to create lucrative opportunities for the global crumb rubber market.

### Reclaim Rubber Industry:

- **India is the 2nd largest Reclaim Rubber market in the world @0.2-0.3Million MT**
- **The global reclaimed rubber market size was estimated at USD 2.39 billion in 2018 and is estimated to increase at a CAGR of 12.03 % from 2019 to 2026.**
- India has been recycling and reusing waste tyres for four decades, although it is estimated that 60% are disposed of through illegal dumping. Despite this, India is the second-largest producer of reclaimed rubber after China.
- India is a big user, producer and expanding Automotive growth in India is robust. **It is expected that between 2015 and 2026, the industry's total turnover may grow by 4x.**



Area	Potential Usage (in % age to virgin rubber)	Potential Savings in process costs
Passenger Car Radial	5%	2%
Solid Tires	10-15%	4-6%
Retread Rubber (Hot)	20-30%	4-6%
Inner Tubes	20-40%	5-7%
Flaps	20-40%	8-10%

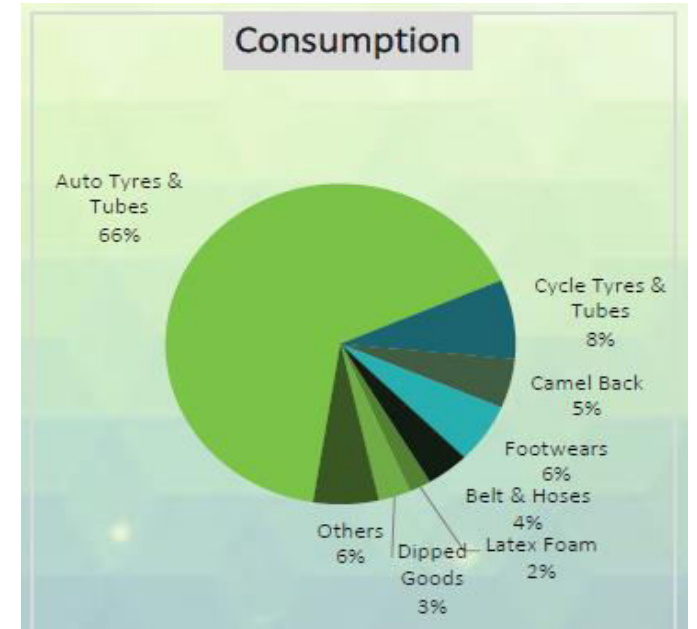
# Industry Overview (3/3)

## Indian Tyre Industry:

- The Indian Tyre Industry is an integral part of the Auto Sector – It contributes to 3% of the manufacturing GDP of India and 0.5% of the total GDP directly.
- The India tyre market attained 177 million units in 2020. The market is further expected to grow in the forecast period of 2022-2027 at a CAGR of 3.6% to reach 218 million units by 2026.
- **The domestic tyre industry's capacity has increased at a CAGR of 14.5% over FY16-20 vs. 5.8% over FY11-15 and is projected to grow 7-9% in 2022-23 Ban on import of tyres from China (with GOI imposing anti-dumping duty).**

## Conveyor Belt Industry:

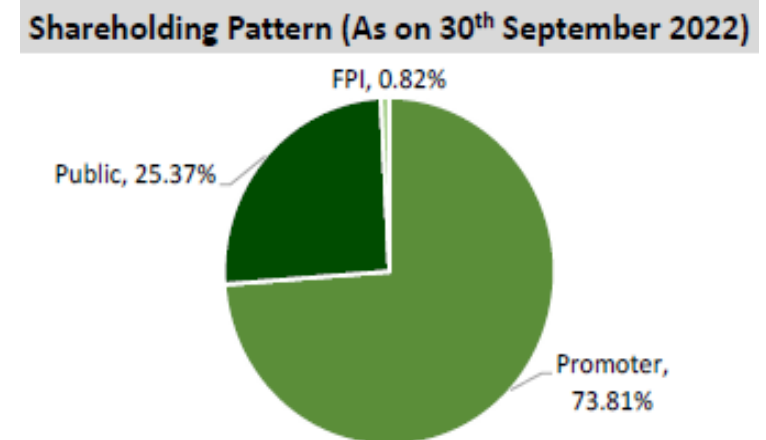
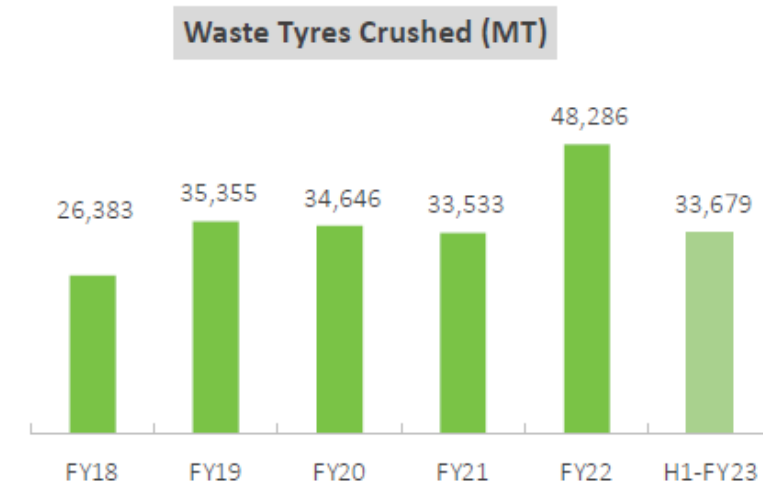
- **The global conveyor belt market is expected to expand at a CAGR of 6.0% during the forecast period 2022-2027.**
- Asia-Pacific is expected to be the fastest-growing region for conveyor belts in the next few years; Asia-Pacific comprises two of the fastest emerging economies across the globe such as India and China.
- It has been noticed that over the past few years, multinational companies from developed countries have installed their production base in countries such as India and China due to the availability of cheaper input cost profiles such as labour, raw material, and equipment.



Area	Potential Usage (in % age to virgin rubber)	Potential Savings in process costs
Conveyor Belt	20-25%	5%
Automobile Profile	20-30%	10-12%
Hoses	10-15%	4-5%
Mats & Flooring	40-50%	12-15%
Roofing Applications	40-50%	10-12%
Hot Melt Adhesives	10-15%	5%
Civil Engineering	30-40%	10-12%

# Company Overview

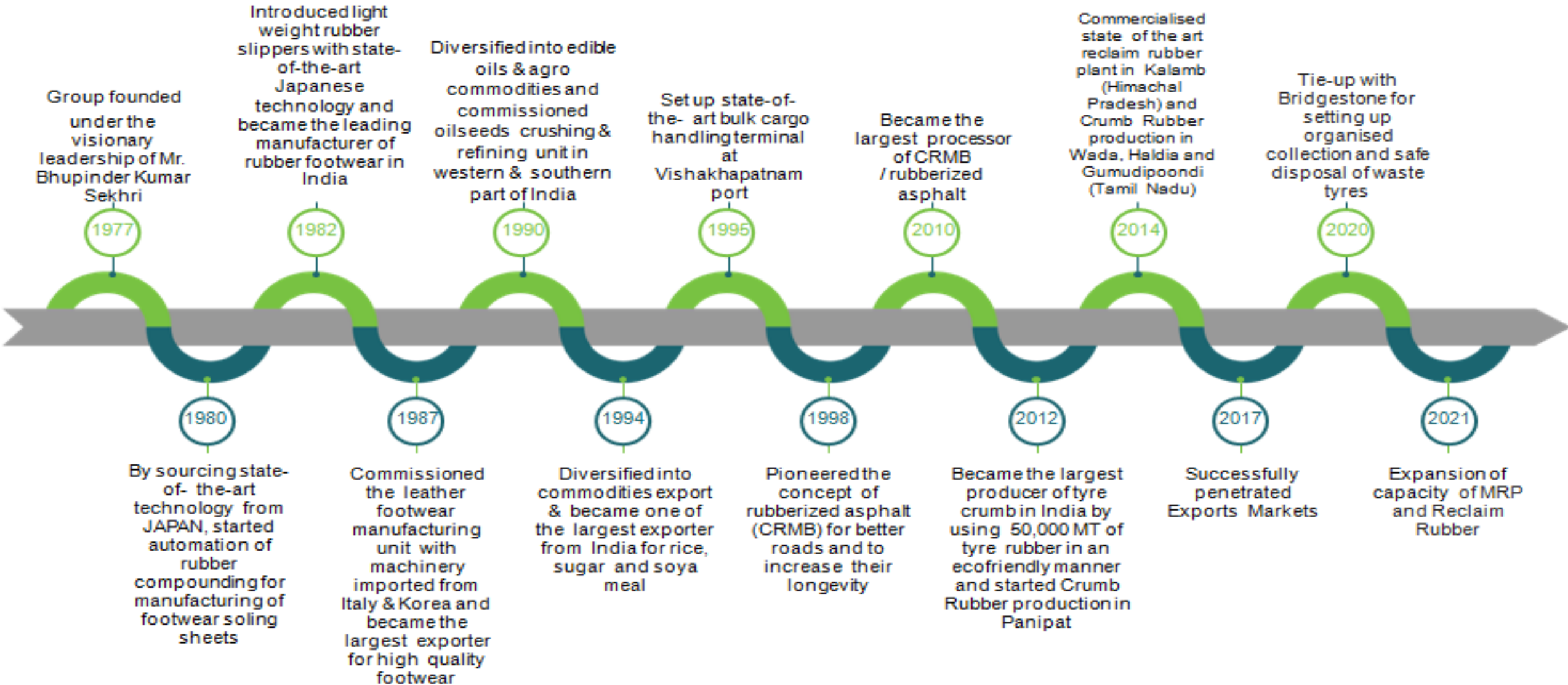
- **TRIL is a specialty materials company that uses environment friendly technologies to transform rubber from end-of-life tyres into materials for new tyres and other rubber-based industrial products & applications.**
- **The company uses only End-of-Life Tyres (ELT)** procured within India and sourced from different countries around the world and has a unique understanding to derive maximum benefit from each part of the tyre and deep knowledge on the behaviour of waste tyres from various origins.
- **It has a completely environment friendly manufacturing process** from crushing of End-of-Life Tyres (ELT) to processing them and making value-added rubber and steel products to ensure the entire tyre is recycled and salvaged. There are also no effluent gases or harmful liquid discharge in the manufacturing process.
- Within the tyre recycling space, **TRIL has a well-diversified product range (within road, non-road, and steel segments), none of the peer companies have a product mix like TRIL.**
- **The company transforms end of life tyres into rubber and steel**, which further have application in new tyres/conveyor belts and other rubber moulded products and roads. Steel derived during the process is used for making steel abrasives. **TRIL's business model is one of the foremost models of benefits of circular economy.**
- **Today the company is the largest integrated waste tyre recycler in India and among the global leaders in the manufacturing of recycled rubber materials**, with manufacturing facilities spread across India at Panipat (Haryana), Kalamb (Himachal Pradesh), Haldia (West Bengal), Gumudipoondi (Tamil Nadu) and Wada (Maharashtra).
- **The company is a one stop shop and caters to the entire gamut of recycled rubber applications including road and non road sector.**
- **TRIL has captured a substantial market share by maintaining high quality, reliability and customer satisfaction.**
- **As a recycler of waste tires TRIL is playing a vital role in caring for environment by using waste tires, which is otherwise a serious environmental and health hazard, and creating a circular economy.**



Source: Company Disclosures



# Tinna's Journey



Source: Company Disclosures

Tinna Rubber And Infrastructure Ltd.

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graph TD; A[Tinna Rubber And Infrastructure Ltd.] --> B[Tinna Rubber B.V., Netherlands (Wholly Owned Subsidiary)]; A --> C[TP BUILDTECH PVT. LTD. (TPBPL) (Associate Company – 49.20%)];
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Tinna Rubber B.V., Netherlands  
(Wholly Owned Subsidiary)

The Company has incorporated Wholly Owned Subsidiary Company under the name “Tinna Rubber BV” in Netherlands. **The vision of Tinna Rubber BV is to become leading ELT Material Recycling Company in Europe.** Promoted by Tinna Rubber & Infrastructure Limited, it comes with extensive domain experience on board.

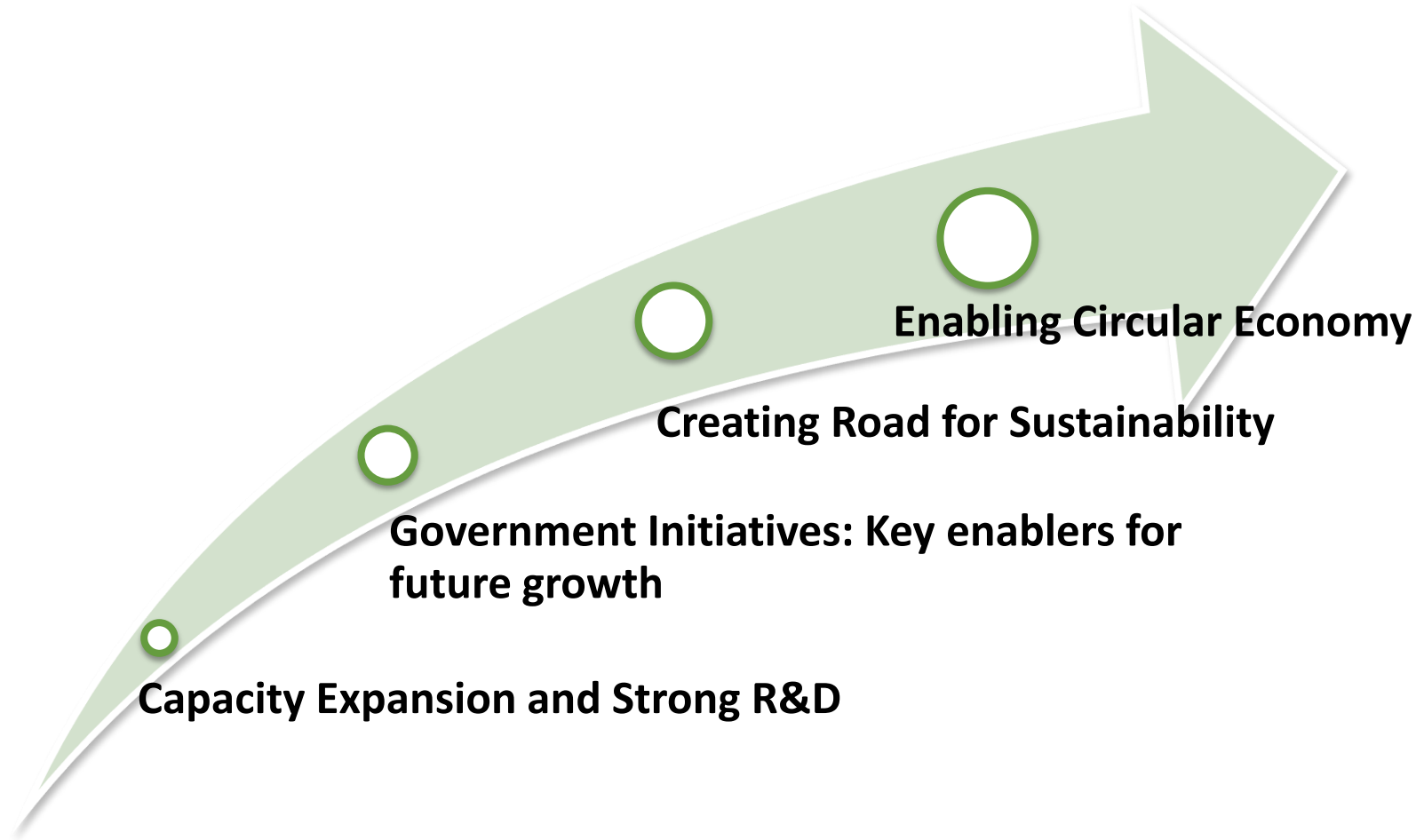
**Note:** As per recent filing TRIL has entered into Shareholder Agreement to acquire 99.00% stake with Rs. 5 crores in Global Recycler, Sole Proprietorship Company Incorporated in Muscat, Sultanate of Oman and which will subsequently convert to Limited Liability Company in due course of time.

TP BUILDTECH PVT. LTD. (TPBPL)  
(Associate Company – 49.20%)

TPBPL is an associate Company of Tinna Rubber And Infrastructure Ltd. The Company is engaged in the business of manufacturing construction chemicals. With the help of Research & Development activities during the Financial Year 21- 22, **TPBPL has succeeded in getting orders from various renowned brands and some of the best construction Companies in the country.** Revenue from operations (gross) for the Financial Year 2021- 22 is 4682.14 lacs as compared to Rs. 2799.01 lacs in the previous year. Whereas Profit after tax is 15.27 Lakhs compared to Loss after tax 286.08 lakhs in the previous year.

# Investment Thesis

The Investment thesis on Tinna Rubber & Infrastructure Limited is based on the following:



**Waste  
to  
Wealth**

## CAPACITY EXPANSION

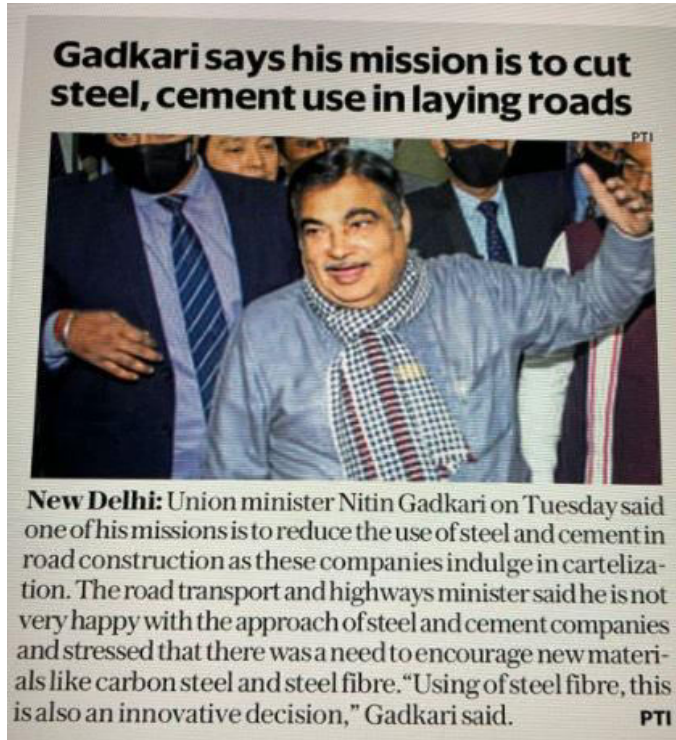
- In FY22 Management of the Tinna are looking forward to commissioning of 4th DV for manufacturing of reclaim rubber at Chennai plant.
- As per recent update company commenced work on setting up a central plant for manufacturing and process of modified bitumen at Gummidipoondi at Chennai which is expected to be operational by the end of December 2023.
- The capacity of this plant is expected to be 2000 MT per month. i.e. Annul Capacity has been increased by 24000 MT.
- At present Existing capacity of all 5 plant is 72000 MTPA.
- After commissioning of this 6<sup>th</sup> Plant TRIL's capacity will be approx 96000 MT per annum.
- It is expected that once it will commercialise it's operation it will add to the top line and will also help in better capacity utilization of crumb rubber.

## RESEARCH AND DEVELOPMENT

- R&D team has developed various value added products from waste tyres during the year. The Company also introduced new technologies and two specialized grades of Emulsion such as Micro Surfacing, Recycling grades Emulsion and Eco-Friendly cold mix emulsion for rural road.
- Company secured product approvals in the state of the person and Himachal Pradesh for another one year in road segment.
- Total R & D expenditure as a percentage of total turnover is 0.39% or Rs. 9.32 cr. for FY22 (For FY21 it is 1.11 % or 5.32 cr.)

# Government Initiatives: Key enablers for future growth

Gadkari says not very happy with steel, cement companies' approach in road construction



Source - [Times of India](https://timesofindia.com)

Environment Ministry brings out draft EPR notification for waste tyres



The waste tyres are recycled as reclaimed rubber, crumb rubber, crumb rubber modified bitumen (CRMB), recovered carbon black, and pyrolysis oil/char.

Source - [Economic Times](https://economictimes.com)

Infra sector at cusp of upturn driven by govt push: Analysts



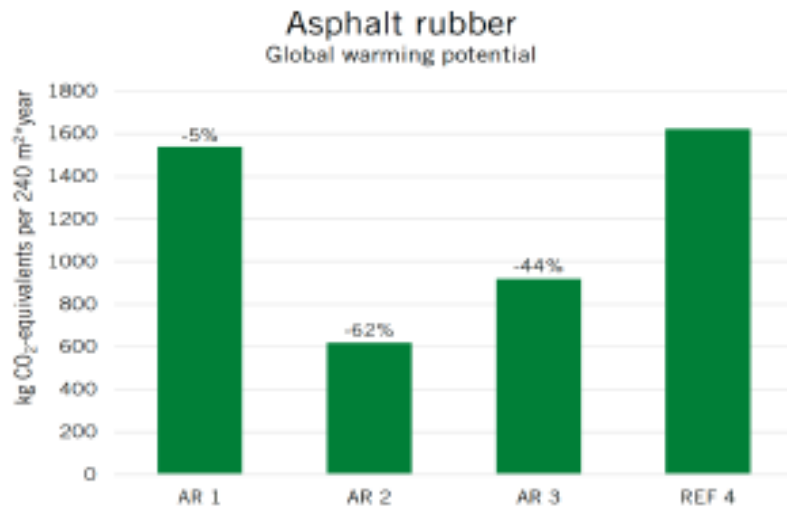
The NHAI is likely to award a larger share of projects via the HAM mode.mint

Source - [Livemint](https://livemint.com)

Source: Company Disclosures

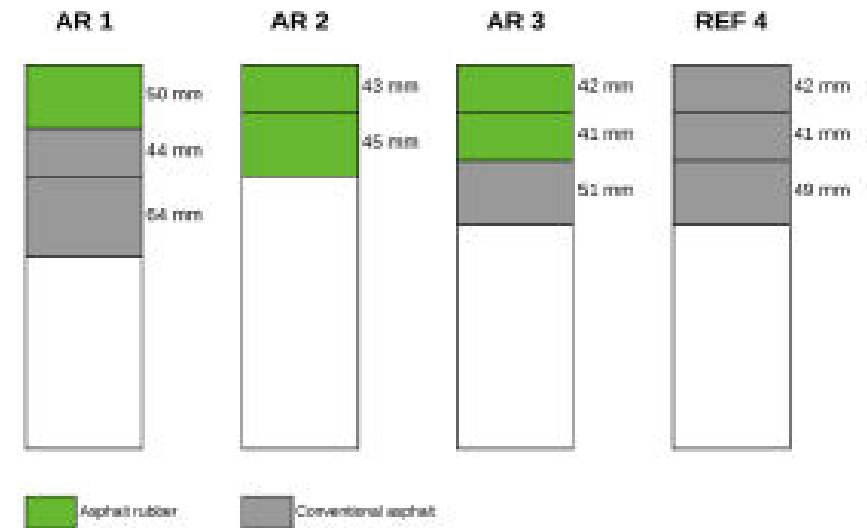
# Creating Road for Sustainability

In a study done by Ragn-Sells Däckäterving AB, Sweden, 2018, Life Cycle Assessment was carried out comparing: Road Made from Normal Bitumen Versus Modified Bitumen. Four test surfaces were prepared with different layer composition (Refer Figure-1).



Test surface	Life span
AR 1	5,8 years
AR 2	8,3 years
AR 3	8,3 years
REF 4	4,6 years

Construction of test surfaces



Life Cycle Assessment study concluded that roads made from modified bitumen could help reduce carbon footprint up to 60% (incase of AR-2) equivalent of 1-Ton kgCO<sub>2</sub> per 240 m<sup>2</sup>. (Refer Figure-2) .

The study also concluded that using modified bitumen increases life span of roads by up to ~ 100% (Refer Figure-3).

Today, TRIL is a pioneer in modified bitumen business in India. So far, TRIL has supplied 2.36 Million MT of Modified Bitumen across several different road infrastructure projects across country which has enabled saving of 0.8 Million MT of Carbon Emissions.

Source: Company Disclosures

# Enabling Circular Economy

- **Today's manufacturing by and large** follows linear economy process where in they take raw materials from the environment and turns them into new products, which are then discarded into the environment.
- On the other hand, **circular economy involves utilizing existing materials and products efficiently through recycling and reusing.**
- **TRIL recovers 99.5% material from End-of-Life Tires (ELT), converting them into specialized and high-quality recycled material.**
- This material is further supplied to leading Multinational Tire and Conveyor Belt manufacturing companies (including others) and help them reduce their consumption of natural rubber & synthetic rubber without compromising on quality and reduce their carbon footprint at the same time. **TRIL sets up a prime example of success of circular economy model.**



**With the Indian Government notifying Extended Producer Responsibility Framework for safe and efficient disposal of ELT in the country, recycling industry is going to be positively impacted by not only higher availability of raw material (ELT) but also by higher degree of motivation among tire manufacturing companies for usage of sustainable raw materials.**

# Tinna's Product Portfolio



Source: Company Disclosures





## Crumb Rubber Modifier (CRM)

- Crumb Rubber Modifier(CRM) is blend of waste tire rubber, hydrocarbons and cross linkers, which further can be blended with bitumen in certain ratio.
- The Flexural range of CRM offers binders that are stable and easy to handle with enhanced performances.
- CRMB is suitable for pavements submitted to all sorts of weather conditions, highways, traffic denser roads etc.
- It is a durable and economical solution for new construction and maintenance of wearing courses.
- Tinna has a dominant market share of over 60% in this space with long term tie-ups with petrochemical companies like IOCL for modifying their bitumen.

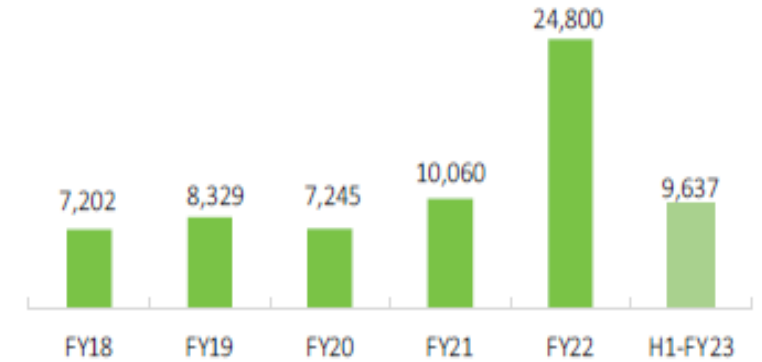


## Bitumen Emulsion

- Tinna Bitumen Emulsion is a trusted Brand and the Quality of products are endorsed by various road consultants and by esteemed customers
- The company's fully computerized plant capable of producing 12 TPH Bitumen Emulsion of very high quality has been imported from ENH Engineering, Denmark, which are world leaders in Asphalt modification machinery manufacturing.
- A fully equipped laboratory with all testing facilities complements the Emulsion manufacturing plant studded with the most advanced pilot plant for making trial samples.
- TRIL manufactures all grades of cationic bitumen emulsions meeting BIS standards for various applications such as tack coat, prime coat, surface dressing, fog seal, crack seal, pothole repair etc.
- The company uses cold mix technology using bitumen emulsion which is an ideal solution to the security of energy, economy, environment and health.



Road Sector Product Volumes (MT)



## Advantages of Bitumen/Asphalt Roads

- Bitumen is 100% recyclable. When melted down, it can be used again to create new roadways.
- Bitumen is quieter than concrete resulting in less noise pollution.
- It creates a smoother drive with better traction and skid resistance.
- Since asphalt is black, it utilizes the natural heat from the sun to help keep the roads clear after storms or snow.
- Asphalt is ideal for rural roadways because of the ease of maintenance and repair.
- Asphalt roads are more economical

Source: Company Disclosures



## Hi-Tensile Ultrafine Reclaim Rubber

- Tinna Hi-Tensile Reclaim is 100% strained and a devulcanized rubber
- It is grain less and free from foreign matter allowing smooth extrusion and good finish
- It is REACH, PAH, RoHS compliant and free from Carcinogen materials and can substitute fresh Polymers (NR & SBR)

## Crumb Rubber/ Tyre Crumb (< 80 mesh)

- Highly efficient system ensures that Tinna Crumb is free from foreign matter
- It is 100 % REACH, PAH & RoHS Compliant
- Tinna Crumb is Processed using latest ambient temperature grinding technology
- Being a High structure Crumb, retains excellent reinforcing properties in high quality compound

## Micronized Rubber Powder (80-140 mesh)

- Tinna is among the largest producer in the World for Micronized Rubber Powder (MRP).
- Produced Using a proprietary Ambient Grinding Process
- An exemplary product and a prime example of the benefits of Circular Economy.

## Coated Rubber Crumb (CRC)

- CRC Replaces virgin rubber compound and is manufactured by treating Crumb Rubber with a proprietary mix of chemicals
- Ideally suited for low tensile compound, Solid tyres & Agriculture tyres
- It has excellent abrasion loss properties and can fully replace virgin polymer



## Applications:

- Tyres
- Conveyer belts
- Footwear
- Rubber moulded goods
- Rubber mats
- Sport Turf mats

## Steel Abrasives

- Steel abrasives are used for shot blasting, shot peening and other surface treatment applications where small steel particles are fired upon a workpiece with the help of a compressed air/ centrifugal wheel to remove, clean, strengthen (peen) or polish metal surfaces.
- Owing to the use of the best quality substrate the product is far superior to any steel abrasive currently available in the country
- Hi-Carbon steel abrasives are made from high-quality high carbon grade-II wire, recovered from waste tyres.

## Steel Shots

Cut wire shots are manufactured from high-quality high carbon spring steel grade wire in which each particle is cut to a length about equal to its diameter.

## Steel Scrap

A rigorous process recovers high-quality steel scrap, by completely removing rubber. This is further used by the steel industry/smelting Units.

## Other Products:

- Hi carbon steel grit
- Hi carbon cut wire shot
- Ingots
- Girders, etc.



Source: Company Disclosures

# Manufacturing Plant

3C Capitals

Shifting of tyres for Plant Operation



Shredding Machine



Grinding



Conveyor



Seving & Packing



Sieving Process



Auto Feeding Section



Conveying & Refining



Feed Hopper & Devulcanizing



Auto Feeding Section



Packing & Stacking



Allied Plant & Equipment For Reclaim Operations

Thermopac    Steam Condensing Unit    ETP Plant



In House Laboratory & Testing Facility



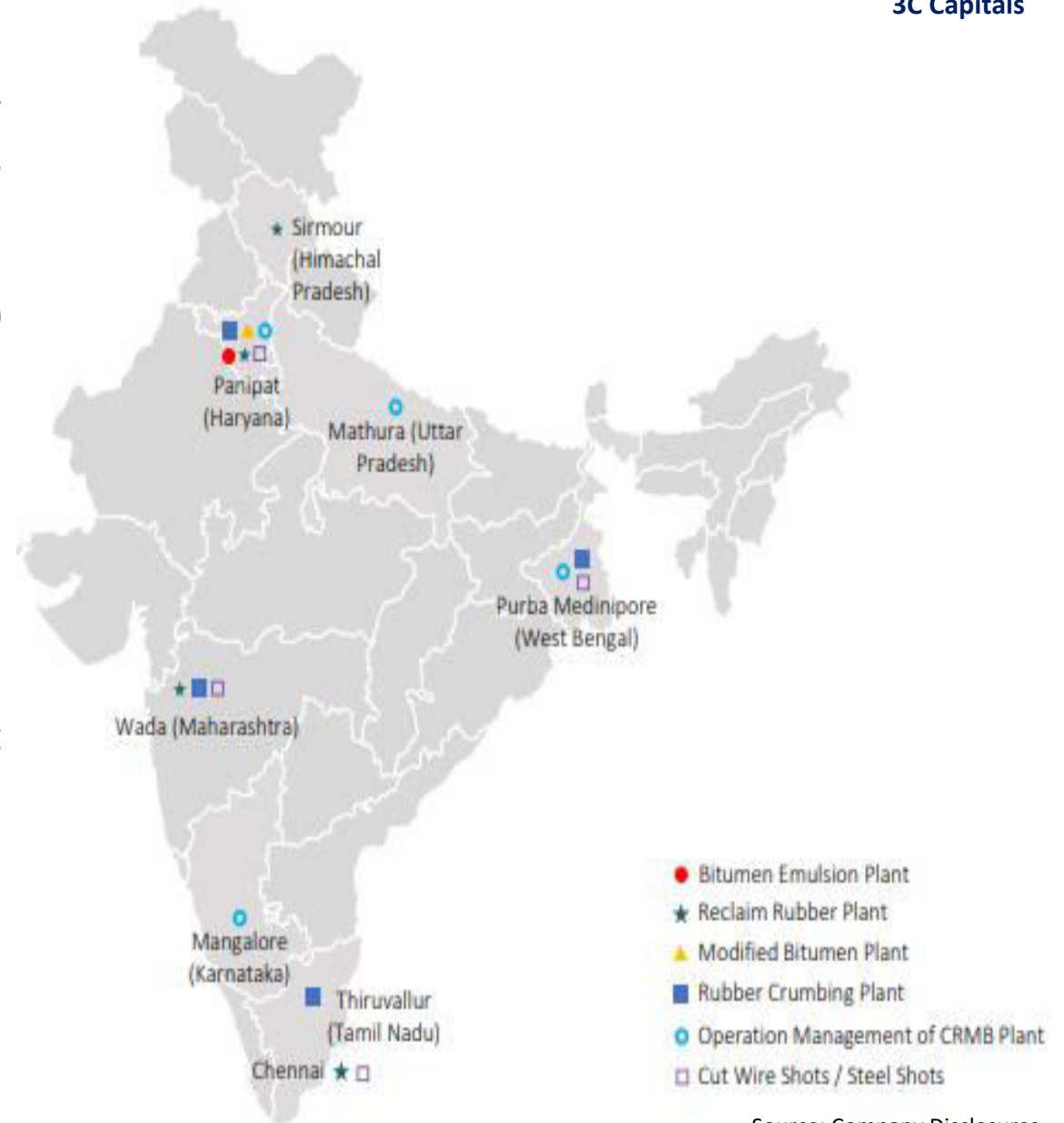
**Tinna**®

Caring for Environment

Source: Company Disclosures

# Pan-India Presence

- The company has established its PAN India presence by setting up its own 5 manufacturing facilities across different geographic locations.
- The company has an installed capacity to process 80,000 MTs per annum of end of life tyres (ELT)/ waste tyres.
- In North, at Panipat (Haryana) and Kalaamb (Himachal Pradesh), In South at Gummindipoondi (Tamil Nadu), In east at Haldia (West Bengal) and in West at Wada (Maharashtra).
- 3 of it's plants are located near ports to facilitate import of waste tyres and re-export of finished goods.
- All plants located near vibrant industrial hubs. With the diversified geographical presence, it can cater to the demand of it's customers across the country.



Source: Company Disclosures

# Esteemed Clientele

Source: Company Disclosures

# Financial & Business Analysis

Amount in Crores	FY17	FY18	FY19	FY20	FY21	FY22	YoY	H1FY23	FY23E	FY24E	FY25E
Sales	68.85	100.25	129.71	123.03	130.07	237.16	82%	147.51	308.31	400.80	521.04
Expenses	66.99	89.99	113.94	114.29	113.55	199.86	76%	126.82	258.98	334.67	432.46
Operating Profit	1.86	10.26	15.77	8.74	16.52	37.30	126%	20.69	49.33	66.13	88.58
Operating Profit Margin %	2.70%	10.23%	12.16%	7.10%	12.70%	15.73%	303 bps	14.03%	16.00%	16.50%	17.00%
Net Profit	-9.37	-5.00	-0.04	-4.84	-0.14	16.90		10.34	21.58	30.06	41.68
Net Profit Margin %	-13.61%	-4.99%	-0.03%	-3.93%	-0.11%	7.13%	713 bps	7.01%	7.00%	7.50%	8.00%
EPS (INR)	-10.90	-5.81	-0.05	-5.63	-0.16	19.65		12.07	25.20	35.10	48.67

- During the year under review, Revenue from operations for FY 2021-22 stood at ₹ 237 crores, increase by 82% as compared to ₹ 130 crores in FY 2020-21. The contribution of Road segment is 37% and Non-Road segment is 63% in total sales which shows 132% growth and 62% growth during the year under review in comparison of previous year.
- Operating Profit** for FY 2021-22 is ₹ 37 crores, increase by whopping ratio of 76% as compared to ₹ 17 crores in FY 2020-21. Increase in Operating Profit mainly due to increase in volume and minute price increment as well as optimization of manufacturing costs.
- Net Profit** for FY 2021-22 is ₹ 17 crores as compared to ₹ -0.14 crores in FY 2020-21. **Net profit margin** has been increased by 713 basis points during FY2021-22. **EPS** for FY 2021-22 is ₹ 19.65 rupee as compared to ₹ -0.16 rupee in FY 2020-21.

As per Q2FY23 concall Management has guided that they are on target to finish this financial year with a top line growth of between 30 to 35% and margin 15% to 16% . We believe that with governments infrastructure push, recycling initiatives and new EPR Regulation will be the biggest growth drivers for the company and it will achieve it's Top-line and bottom line growth in the range of 30% and 15% respectively in coming future.

# Financial Statement Analysis

BALANCE SHEET	FY17	FY18	FY19	FY20	FY21	FY22
Equity Share Capital	8.56	8.56	8.56	8.56	8.56	8.56
Reserves	51.17	62.75	62.72	58.23	58.2	68.87
Borrowings	93.59	82.68	78.13	71.82	66.46	70.9
Other Liabilities	22.54	26.52	26.22	29.64	35.95	40.45
<b>Total</b>	<b>175.86</b>	<b>180.51</b>	<b>175.63</b>	<b>168.25</b>	<b>169.17</b>	<b>188.78</b>
Net Block	82.06	77.02	81.66	77.39	76.59	76.95
Capital Work in Progress	1.76	2.62	1.14	3.3	0.45	0.61
Investments	14.57	27.04	25.81	24.81	23.6	25.83
Other Assets	77.47	73.83	67.02	62.75	68.53	85.39
<b>Total</b>	<b>175.86</b>	<b>180.51</b>	<b>175.63</b>	<b>168.25</b>	<b>169.17</b>	<b>188.78</b>
CASH FLOW	FY17	FY18	FY19	FY20	FY21	FY22
<b>Cash from Operating Activity</b>	<b>6.53</b>	<b>15.46</b>	<b>19.99</b>	<b>17.06</b>	<b>20.62</b>	<b>18.66</b>
<b>Cash from Investing Activity</b>	<b>-1.03</b>	<b>3.55</b>	<b>-3.88</b>	<b>-1.83</b>	<b>-5.17</b>	<b>-11.81</b>
Fixed assets purchased	-8.65	-3.21	-5.63	-3.11	-5.31	-10.27
Fixed assets sold	1.66	0.10	0.21	0.17	0.05	0.12
Investments purchased	-	-0.03	-	-	-	-
Investments sold	4.48	8.32	1.34	0.02	-	0.14
Interest received	-	-	0.23	0.24	0.18	0.21
Investment in group co.	-	-1.46	-	-	-	-2.00
Others	1.47	-0.17	-0.03	0.85	-0.08	-0.01
<b>Cash from Financing Activity</b>	<b>-5.36</b>	<b>-19.23</b>	<b>-16.08</b>	<b>-15.09</b>	<b>-15.37</b>	<b>-6.04</b>
Proceeds from borrowings	5.18	-	0.23	-	-	3.88
Repayment of borrowings	-	-9.42	-4.78	-6.22	-8.85	-1.21
Interest paid fin	-10.10	-9.82	-11.53	-8.87	-6.52	-8.71
<b>Net Cash Flow</b>	<b>0.14</b>	<b>-0.23</b>	<b>0.04</b>	<b>0.13</b>	<b>0.08</b>	<b>0.81</b>

- The borrowings of the company have increased from ₹ 66.5 Cr in FY21 to ₹ 71 Cr in FY22 as working capital requirement increases.
- The debt-to-equity ratio of the company stands at 0.86 in FY22, an improvement from 0.96 in FY21.
- The interest coverage ratio stands at 4.85 in FY22, an improvement from 3.53 in FY21.
- The fixed asset base of the company seen stable as it is constantly investing in capex. In FY22 the fixed asset base of the company has grown to ₹ 77 Crores
- The Cash flow from operations of the company has improved over the last 3 years and positive.
- From Cash flow it is observed that the company is continuously repaying its debt resulting reduction of debt .



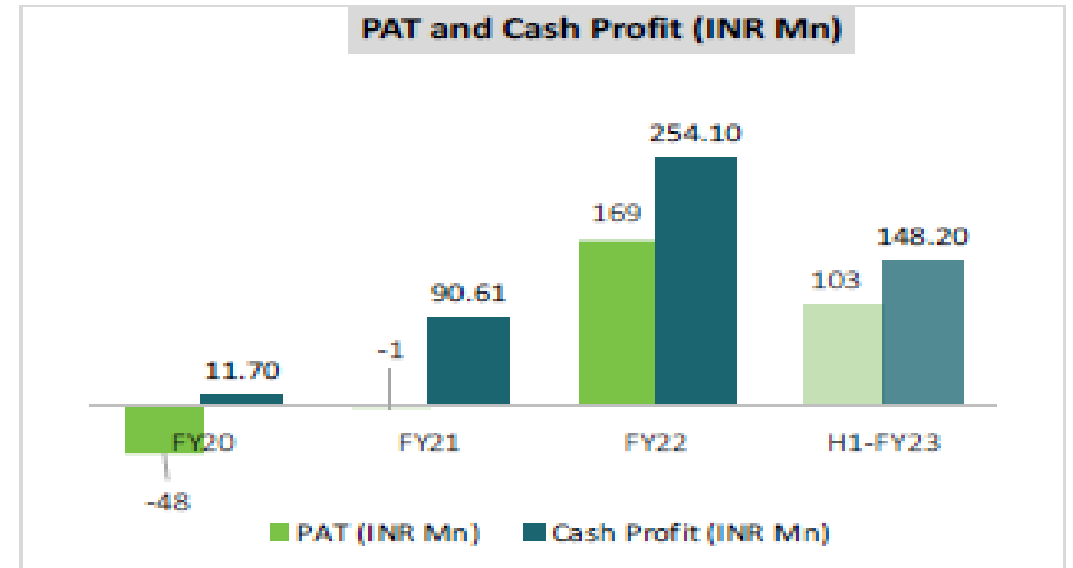
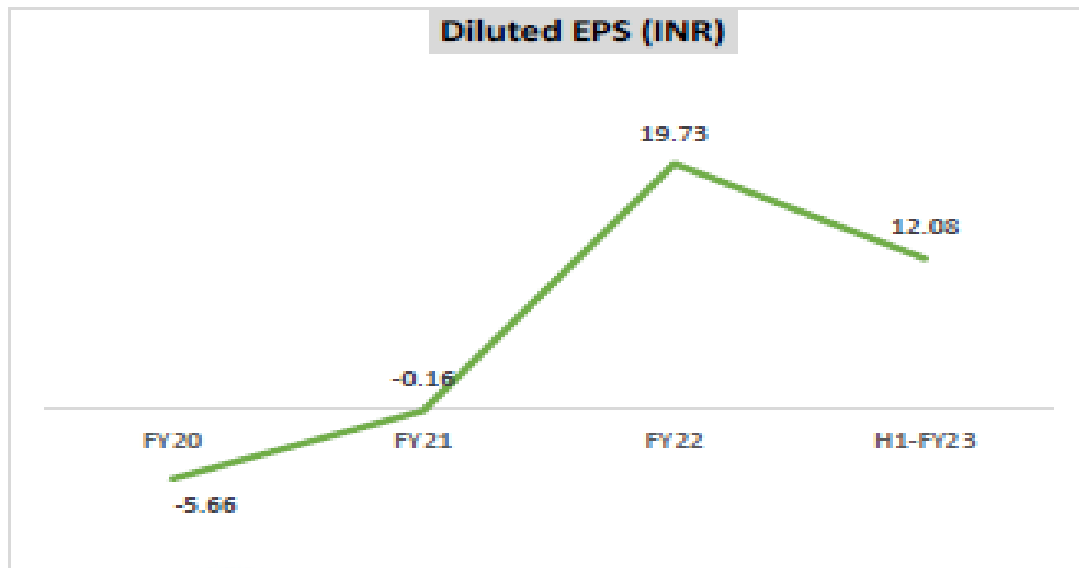
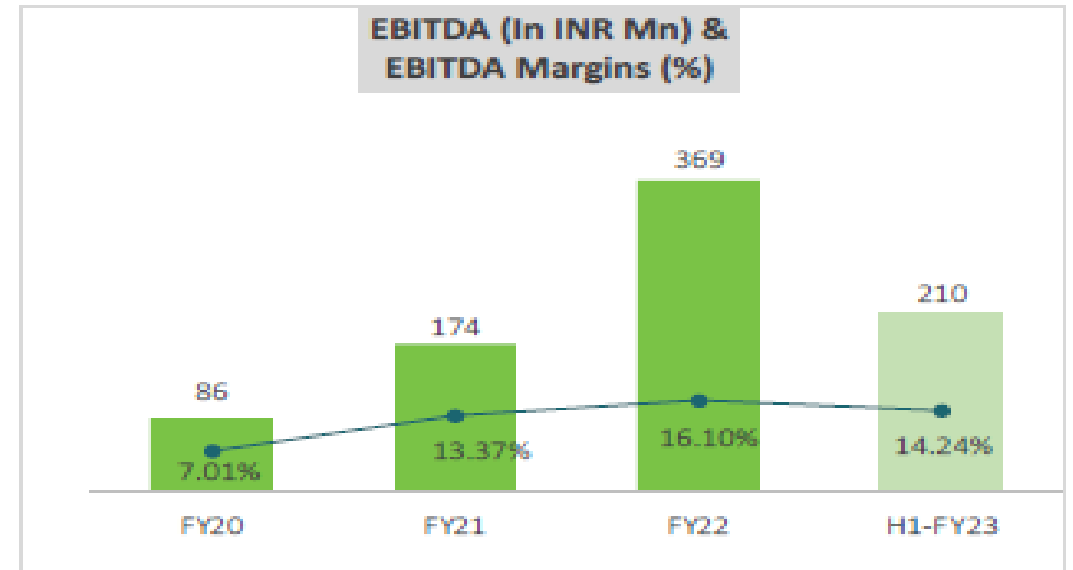
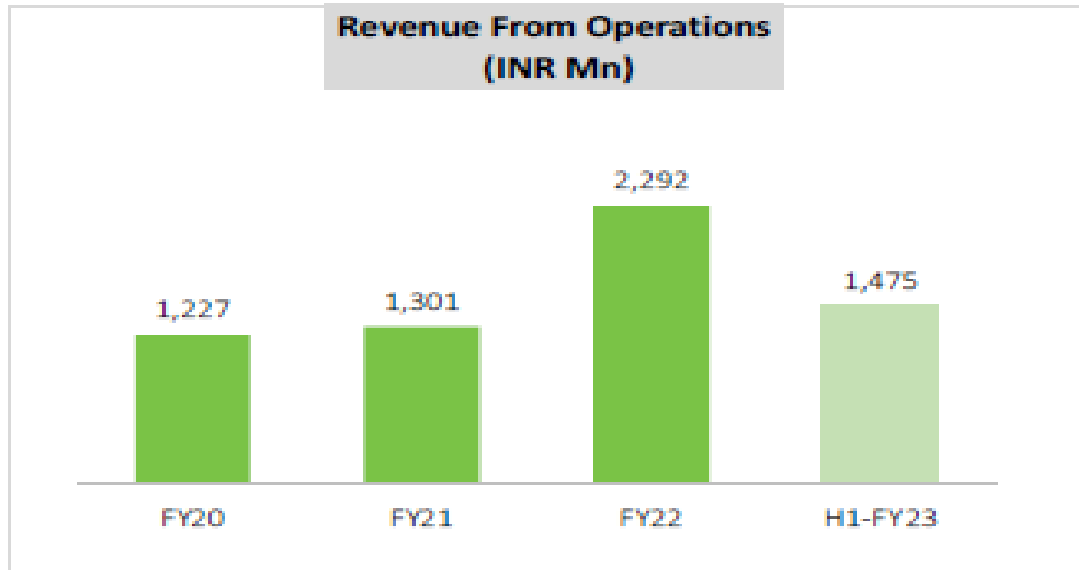
# Quarterly Income Statement Analysis

	Q1FY22	Q2FY22	Q3FY22	Q4FY22	Q1FY23	Q2FY23
<b>Sales</b>	<b>48.43</b>	<b>53.07</b>	<b>69.19</b>	<b>61.36</b>	<b>82.13</b>	<b>65.38</b>
Expenses	39.81	43.61	59.83	52.15	70.72	56.1
<b>Operating Profit</b>	<b>8.62</b>	<b>9.46</b>	<b>9.36</b>	<b>9.21</b>	<b>11.41</b>	<b>9.28</b>
<b>Operating Profit Margin %</b>	<b>17.80%</b>	<b>17.83%</b>	<b>13.53%</b>	<b>15.01%</b>	<b>13.89%</b>	<b>14.19%</b>
Other Income	0.54	0.52	1.49	1.21	0.67	0.55
Depreciation	2.07	2.17	2.19	2.15	2.21	2.26
Interest	2.08	2.09	3.03	1.78	1.58	1.8
Profit before tax	5.01	5.72	5.63	6.49	8.29	5.77
Tax	1.31	1.59	1.49	1.55	2.14	1.56
<b>Net Profit</b>	<b>3.69</b>	<b>4.13</b>	<b>4.13</b>	<b>4.94</b>	<b>6.14</b>	<b>4.2</b>
<b>Net Profit Margin %</b>	<b>7.62%</b>	<b>7.78%</b>	<b>5.97%</b>	<b>8.05%</b>	<b>7.48%</b>	<b>6.42%</b>

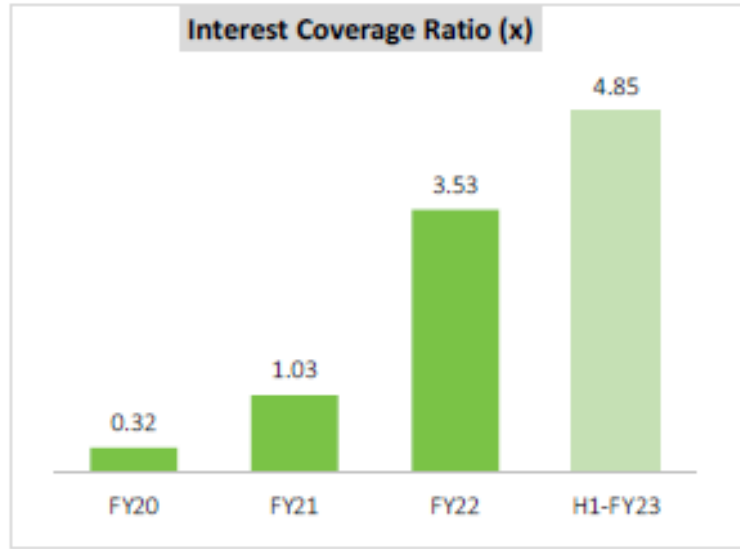
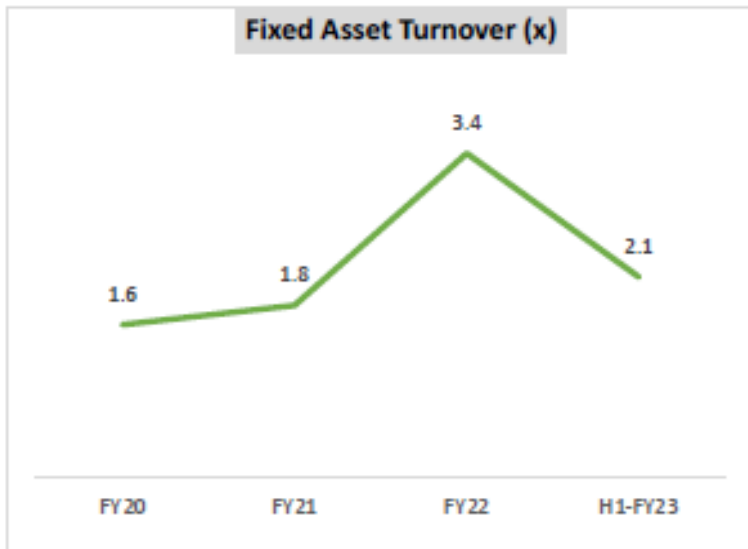
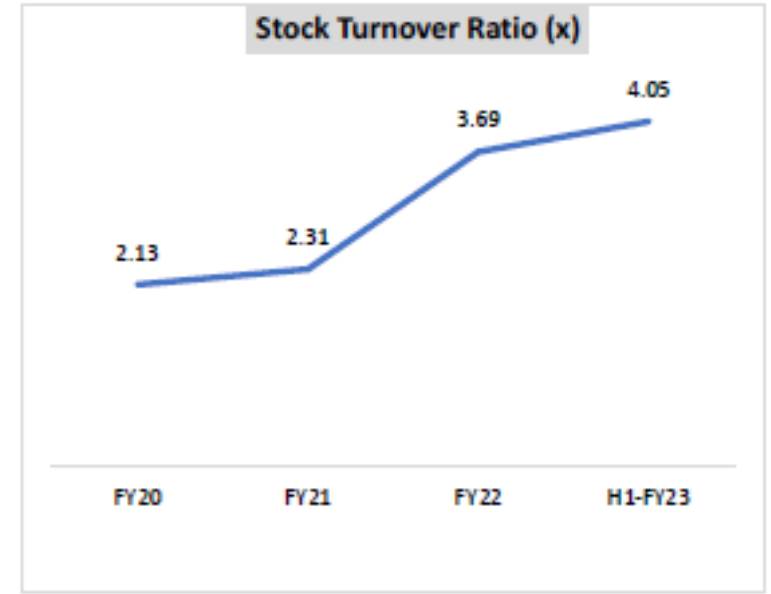
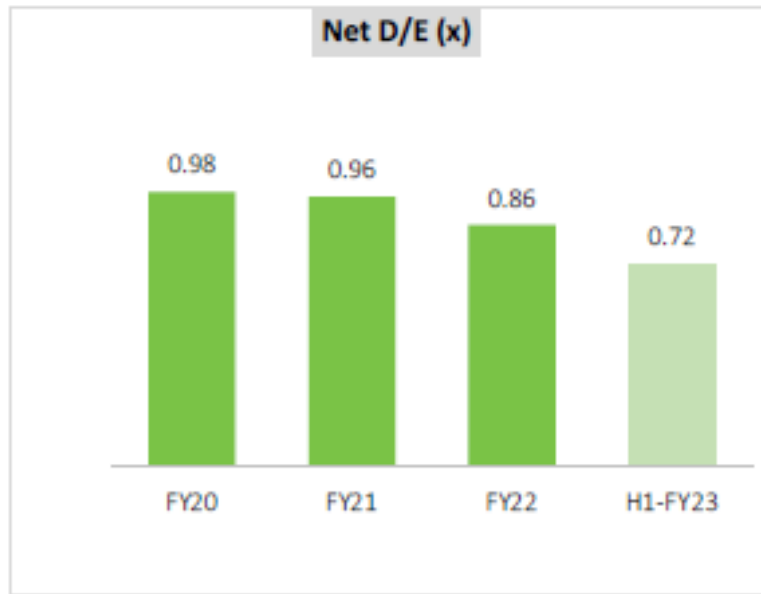
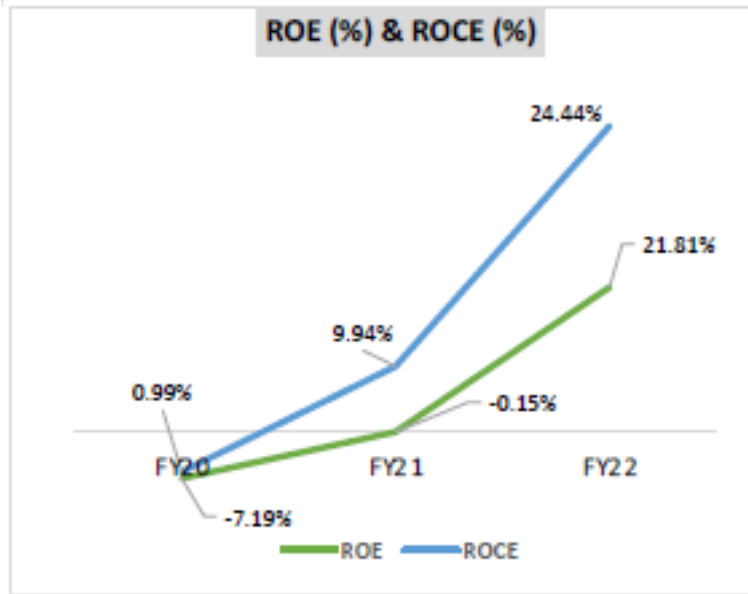
- In Q2FY23 Company recorded sales of ₹ 65.38 crores with Operating profit and PAT of ₹ 9.28 crores and ₹ 4.2 crores respectively.
- For full year ended 31st March 2022 Company recorded sales of ₹ 237 crores with Operating Profit and PAT of ₹ 37 crores and ₹ 17 crores respectively.
- In Q2FY23 Company recorded Profit before tax of ₹ 5.77 crores and Net profit of ₹ 4.2 crores.
- For full year ended 31st March 2022 Company has recorded healthy EPS of ₹ 19.65 with YOY growth of 82 %.
- For H1FY23 Company recorded EPS of ₹ 12.07.
- As per Q2FY23 concall Management has guided that they are confident that in Q3 companies sales will revive back to something closer to what had in Q1.

Source: Company Disclosures

# Performance in Charts – Tinna Rubber (1/2)



# Performance in Charts – Tinna Rubber (2/2)



# Peer Comparison

Ratios	Tinna Rubber & Infrastructure Ltd	GRP Ltd
Market Cap (Rs.)	353 Crores	337 crores
PE Ratio (in times)	18.2	32.6
RoE (%)	23.4	4.72
RoCE (%)	22.8	5.88
RoIC (%)	20.3	4.30
Sales growth 5Years (%)	28.0	5.00
Profit growth 5Years (%)	31.0	-2.00
Debt to Equity	0.77	0.61
Interest Coverage	4.20	3.50

- **RoIC, RoE and RoCE of TRIL have jumped to 20%, 23% & 23% respectively**, since the last year which is exceptional. The major reason which caused this surge is the increase in net income (grew 82%). The RoCE has mostly been in double digits which indicates company efficiently uses its capital. Whereas its competitor's ratios haven't changed in recent years and most of them are below .
- TRIL's **Compounded Sales growth and profit growth of 5 years is 28% and 31%** which is one of the best in Industry as well as in comparison to GRP.
- **Debt to equity ratio** of TRIL, though **decreasing**, is higher than its peers. The reason is the expansion has done as well as going on which is ultimately contributing to its revenue and profit. Its interest coverage ratio too has improved remarkably in the latest financial year by jumping to 4.2.

# Key Facts and Recent Updates

- **TRIL is the flagship of the Tinna group**, engaged in the manufacture of leather footwear, footwear components, thermoplastic rubber (TPR) compounds, edible oil, shipping and warehousing, etc, and in merchant exports to the UK, Canada, Italy, Australia, Portugal and other countries.
- **TRIL has one Wholly owned subsidiary** M/s Tinna Rubber B.V., Netherlands (established in 2021; project phase entity). It is set up with an aim to engaged in the business of waste recycling, end of life tyre recycling and trading of waste materials.
- **Only company in the country and one of the few in the world to produce 80-140 Mesh Micronized Rubber .**
- **In FY21, the company started exporting to Thailand, Turkey and Sri Lanka. It also exports its product in overseas market such as Australia, Europe, Africa etc. It is also exploring opportunities to export in the export market and in talk with some customers.**
- **As per FY22 AR - Crumb rubber modifier has been extensively used in the prestigious Purvanchal Expressway. Almost double the Qty is expected to be consumed on Bundhelkhand expressway and Ganga Expressway combined together in next few years.**
- **As per Q2FY23 concall - Company are continuing to evaluate opportunities and have two to three very interesting opportunities are working on, on capacity expansion, new plant Greenfield etc but they are being executed or any money being committed towards them probably in Q2 of next financial year.**
- **As per recent filling It has entered into Shareholder Agreement to acquire 99.00% stake with Rs. 5 crores in Global Recycler, Sole Proprietorship Company Incorporated in Muscat, Sultanate of Oman and which will subsequently convert to Limited Liability Company in due course of time.**

## Other Facts

- Company has **extended the corporate guarantee** for the bank facilities of its associate concerns namely; “M/s Tinna Trade Limited (TTL)” and “M/s TP Buildtech Private Limited (TPB)” which is part of Tinna Group. For FY22, the working capital facilities of both the entities are backed by the corporate guarantee provided by TRIL to the extent of Rs.48.20 crore.
- In FY14, the **company acquired Glencore's 60% stake in JV Tinna Viterra Trade Pvt Ltd** and made it a wholly owned subsidiary of the company. It received an amount of ~19 crores from Viterra Asia Pte Ltd as per Share Transfer & Release Agreement in May 2013 on release of parties from the obligations and terms of the JV which started in 2009. It was later renamed as Tinna Trade Pvt Ltd.

## Mr. Bhupinder Kumar Sekhri

### *Chairman & Managing Director*

Mr. Bhupinder Kumar is the promoter of the Tinna Group. He is a visionary leader and has vast experience in the field of rubber & its processing for the last 50 years. In the past he studied and learnt new technologies in Rubber with Japan Synthetic Rubber of Japan and Enichem Elastomeri of Italy. He has been the driving force in the successful implementation of various initiatives & strategies which positioned the company to the current level. Under his leadership, Tinna introduced Rubberized bitumen in India in the year 1999 and since then they are the pioneers and leaders of rubberized bitumen in India.

## Mr. Gaurav Sekhri

### *Joint Managing Director*

Mr. Gaurav Sekhri is educated in London, and is the promoter director of the company. He has experience of over 22 years in the industry. Under his leadership, in last 3 years, Tinna Rubber has grown to become one of the largest waste tyre recyclers in India in an environmentally friendly manner. He possesses key expertise in the business of commodity trading and other business verticals, including cargo handling operations & warehousing. He is an active member of YPO. He is also a member of the committee on circular economy formed by MoEFCC

## Mr. Subodh Kumar Sharma

### *Director & Chief Operating Officer*

Mr. Subodh Kumar Sharma a dynamic professional aged 48 years and is associated with TRIL for more than 15 years. He is a graduate with B. Sc. (Math, Physics & computers). He has completed his graduation in 1993 from Gurukul University Haridwar (UK) and possess rich experience in the field of Sales & Marketing admin, and Operations. He also has a vast experience in Tyres and Non-Tyre rubber Industries and provides other valuable services to the organization.

## Mrs. Promila Kumar

### *Woman Director*

Mrs. Promila Kumar had graduated in BSC from Delhi University. She is having rich experience in corporate governance and management planning. She is working as a woman director in the company.

## Mr. Sanjay Jain

### *Independent Director*

A qualified Chartered Accountant, Mr. Sanjay has about 31 years of work experience in Investments, Funds Management, Strategy, M&A, Corporate Finance and Investor Relations. He holds SEBI accreditations as a Registered Investment Advisor and Registered Research Analyst.

## Mr. Ashish Madan

### *Independent Director*

B.A. Eco (H), MFC, (University of Delhi) – Mr. Ashish has about 20 years of experience in trade finance. He is a member of the Managing Committee of Adam Smith Associates Pvt. Ltd. He has previously worked with Esanda Finance (ANZ Banking Group), and Batlivala & Karani.

## Mr. Ashok Kumar Sood

### *Independent Director*

A qualified Civil Engineer, Mr. Ashok Kumar Sood has more than 35 years of experience in the field of infrastructure development specifically road infrastructure. He retired as Chief Engineer from Public Works Departments from the State of Punjab.

## Mr. Dinesh Kumar

### *Independent Director*

He is a dynamic professional aged 66 years & a civil engineer graduated from IIT, Roorkee. He has about 38 years of work experience of Central Engineering Service in Government of India. Due to his various initiatives in roads and civil constructions, Mr. Dinesh Kumar named as “Flyover Man of Delhi”.

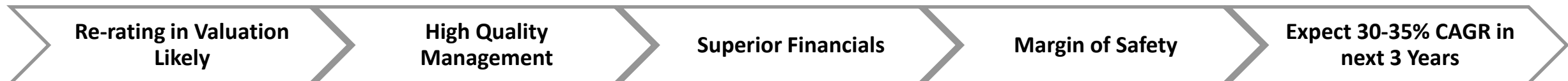
Source: Company Disclosures

# Future Outlook

- **TRIL is traded at lower PE Multiple with high ROE, ROCE and EPS in comparison of GRP Ltd.** Hence we picked up TRIL and looking forward for re-rating in the valuation of TRIL.
- **TRIL's road and non-road segment drives better sales.** In FY2021-22 **YOY Sales growth is 82%** and **Operating Profit is increased to ₹ 37 crore** in comparison of **FY2020-21** which is **₹ 17 crores** . **EPS is increased from ₹ -0.16 to ₹ 19.65 in FY2021-22** in comparison to **FY2020-21**. **PAT Margin increased to 7.13% from -0.11%** amounting to in **FY2021-22 ₹ 16.90 crores from ₹ -0.14 crores in FY2020-21**. It's **Compounded Sales growth and profit growth of 5 years is 28% and 31% respectively** which is expected to increase in near future.

**Final Conclusion:** Tinna Rubber & Infrastructure Limited (TRIL) is a **high-quality cash generating business** as it is **operated by experienced management with the state of art facility equipped with the latest equipments and technology and highly skilled workforce**. TRIL's continuous focus on expanding its product offerings and ongoing capital expansion will help them to perform better in near future. With this **we believe that company will achieve its sales of ₹ 500 crores in next 3 year periods**. This has resulted in strong Free cash flow generation and superior return ratios.

Aided by the growing expenditure of the government on the infrastructure sector particularly for the construction of roads and highways coupled with increase in orders from the customers pertaining to tyre industry has led to favorable growth prospects for the demand of the products offered by the company, which in turn will further leads to growth in scale of operations of the company. **It's clear case of "Heads I win, Tails I don't lose much (Little downside) "**.



**SEBI Research Analyst Registration No. : INH200006451**

1. At the time of writing this article, **the analyst have no position in the stock** covered by this report.
2. The analyst has not traded in the recommended stock in the last 30 days.
3. The research analyst does not have any material conflict of interest at the time of publication of the research report.
4. The research analyst has not received any compensation from the subject company in the past twelve months.
5. The research analyst or its associates has not managed or co-managed public offering of securities, has not received any compensation for investment banking or merchant banking or brokerage services nor received any third party compensation. The subject company was not a client during twelve months preceding the date of distribution of the research report.
6. The research analyst has not served as an officer, director or employee of the subject company.
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