

Company Name: Tinna Rubber & Infrastructure Limited**Operational Highlights:**

- Tinna Rubber & Infrastructure Ltd. was incorporated in 1977 by Mr Bhupinder Kumar Sekhri. The company has around 5 decades of experience in the waste rubber processing industry.
- The company became largest manufacturer of Rubber Cellular sheets when it started its operations.
- In the late 1990s, they started manufacturing Crumb Rubber modifiers, which are mixed with bitumen to construct and maintain roads and pavements. The company is a pioneer and largest manufacturer of Crumb Rubber modifiers.
- The roads that are made using Crumb Rubber modified Bitumen have various advantages over the concrete and other roads. The roads made with CRMB are more suited in different weather conditions, easier to maintain, and cheaper than traditional roads.
- The company was sourcing the crumb rubber from outside and this was creating challenges as the company's consumption was very high and the quality was not upto the requirements.
- In year 2009-10, the company did backward integration and started recycling waste tyres to generate more crumb rubber. The company has PAN India presence and is the largest recycler of waste tyre in India.
- The company recycles Radial Tyres as they have most quantity and high-quality of rubber. They have strong tie-ups in USA, Australia, Middle-East, Africa, and Europe to source end-of-life tyres.
- The company also diversified its business portfolio in the non-road sector as well.
- They manufacture high quality crumb rubber products from 10 to 140 mesh which are used in manufacturing of conveyor belts, sport turfs, rubber mats and many other industries wherever rubber can be used.
- The company is among very players who manufacture crumb rubber of 120-140 mesh and this is used to manufacture new tyres.
- Steel scrap and pellets are also recovered in the recycling process and they find their application in steel/smeltering industries and steel abrasives.
- The company has a in-house R&D department, which gives them the ability to innovate and enter different industries.
- The revenue mix over the 9M-FY22 period has been evenly divided between road and non-road sector i.e. 50% from each of the sector. This gives the company better position in the market.
- The company is one of the largest manufacturer of micronized rubber powder.
- The company also initiated forward integration and set-up three plants of reclaim rubber.

Key Questions & Answers discussed during the Conference:

- **What are the factors the waste tyre prices depend upon?** Currently, there is lot of volatility in the prices of waste tyres. That is majorly because of illegal use of waste tyre in India. Pyrolysis is still happening all over India since crude oil is at its all time high. But with EPR policy coming in India and with tyre companies and government regularising their business, more companies are expected to opt for recycling of tyres. This will help our business going forward.
- **How much pricing competition do our products face with the traditional products?** Presently, approximately 12-14% of crumb rubber is added to Bitumen. There is more encouragement for using crumb rubber in more percentage as Bitumen is expensive. Natural or synthetic polymer is four times the cost of the recycled rubber. Along with these cost benefits, the manufacturers are also looking for more sustainable raw materials due to several policies which are going to be implemented by the government.
- **What percentage of natural rubber used in new tyre manufacturing process can be replaced with recycled rubber?** During recycling process, we cover 99.5% of rubber from the end-of-life tyres and also steel which goes in steel/smeltering industries. The recycled rubber can completely replace the virgin polymer in low performance products like rubber mats, carpet underlayers, insulation products etc. because not much strength is required and there is no abrasion. But, in case of tyres or conveyor belts the use of recycled rubber depends upon the application of the product. Like, high quantity of recycled rubber can be used to make solid tyres which can be 15% but if you are making high performance tyres like radial tyres or passenger tyres, the quantity is low. The number of passenger tyres or radial tyres produced is high so this helps our business by increasing the overall volume of recycled rubber required.
- **What is company's strategy on sourcing the waste tyres and is there any supply constraint in getting the waste tyres?** We try to source the tyres locally as much as possible. We do have existing contracts with retailers, aggregators and with atleast two large tyre manufacturing companies where we assist them in recycling of their tyres. This will gain more momentum in the coming year as the draft EPR is already made and is up for public suggestions. This policy will put more onus on the tyres manufactures to recycle their waste tyres so domestic availability will increase drastically. Also, one more important statistic to note is that India is the second largest producer of tyres in world which also makes it the second largest waste tyre producer. Presently, we get 30-40% of waste tyres domestically and rest is imported from Asia, Europe, Middle East.
- **Is there any quota of importing waste tyres in India?** Ministry of Environment regulates it and the permission to import waste tyres is only given to end users like we are. The process includes submitting an application to Ministry and it is a very structured process. They have a committee that meets every month to review the applications. Once you get the NOC from them, then it is straightforward process of applying for licence from DGFT.
- **What is our total production capacity? What is the capacity utilisation at present?** We have recycling capacity of 70,000 MTPA of waste tyres. Presently, we have a capacity utilisation of around 60% and we are targeting to recycle 50,000 tonne of waste tyres in this financial year.

- **What are the entry barriers in this business?** The entry barrier in our business is the technical knowledge to make the value-added products. The manufacturing of basic crumb rubber is a low-tech process and has very little entry barrier. The technical acumen is required to manufacture products like CRMB, Bitumen Emulsions and even the downstream products like reclaim rubber or micronized rubber powder. In our view, company has to be present in both road and non-road sector to be a differentiator. The highly specialised processes and methods are required to make products with different applications. The process of getting the material approved for the tyre manufacturers is around 3-4 years which is a big entry barrier as the products are high performance and safety of users is also dependent on the tyres. Raw material sourcing is also an entry barrier as it is an unorganised sector and you need to get in contracts with right vendors to source high quality of tyre.
- **How is pricing of our products decided?** In the non-road sector, if we are making a product like basic crumb rubber of 20-30 mesh, there is a price competition as we compete with vendors itself but when it comes to value-added products like reclaim rubber or micronized rubber powder, the competition is less. The tyres usually have more than one vendor for sourcing raw material and they divide the business in them. So all these factors affect the price of the products.
- **What is the present perception of government in terms of using concrete or bitumen for making roads? How does this affect our company?** In 2012-13, there was stress for the use of cement and concrete to make the roads. Over the last two years, due to variety of reasons there is a trend reversal. Our target market is high-density roads and National Highways only. Presently, more and more roads have Bituminous surfacing. In India, we don't change our tyres very frequently and fatality of accident on the concrete road is very high. There have been lot of instances of tyre-bursting witnessed on the concrete highways due to heat. The heat is more dissipated in Bitumen roads. The Bituminous roads are also cheaper to built.
- **What are competitors of the company in the tyre sector and what is our market share in this?** In the tyre sector, we manufacture two products which are micronized rubber powder(MRP) and reclaim rubber. We started manufacturing MRP of 80 mesh and above in 2014-15 and we have the largest capacity and market share in this product. Reclaim Rubber has been in the market for 40-50 years but we still created a space of ourselves in this industry. Our closest competitor in reclaim rubber is GRP Ltd. which is in western India and Balaji Rubber Reclaim and LG Rubber Reclaim which are based out of South India. We are the only company with a PAN India presence which gives us the edge.
- **Will we be able to capture more opportunities and volumes from the new tyre vertical in the next 4-5 years? Can this sector be our growth driver going forward?** We are in talks with several tyres manufacturers who have the desire to increase the inclusion of recycled material and that is going to be a trigger in next 4-5 years. With keeping sustainability and cost difference between natural and recycled rubber in mind, the tyre companies are accommodating more resources to search ways to use recycled material. India is working to soon become the largest tyre manufacturer and with increase in no. of vehicles, the opportunity in tyre sector is immense.
- **What is our revenue generation from Steel segment?** We don't count steel segment separately from non-road sector. We discount our rubber cost against the steel and take it this way.

- **What is our market share in Crumb Rubber Modified Bitumen space?** We are the company who brought and pioneered this concept in India. We have the largest share in this industry. We can claim our market share to be around 75-80%.
- **What are the growth projections for the company and the industry going forward? How sustainable are the revenues from road sector?** We see growth in both road and non-road sector as we have to be more environmentally and sustainably efficient. There are more inclusion of recycled material in various sectors. The government and IRC give the specifications for the material to be used in the roads and you have to meet them. We are actively engaged with the contractors to meet the specifications and other needs. Purvanchal highway for example has modified bitumen in top layer. So, with more highways and more inclusion of modified bitumen, we see these revenues sustainable.
- **Are the increase in prices of raw material pass through?** The raw material cost pass through is there however there is a lag to give a heads-up to our clients.
- **Is there a correlation between the crude oil and End-of-life tyre prices?** Yes, there is a correlation between them. Lot of the material which is used in manufacturing tyres are by-products of petrochemicals. End-of-life tyres are also used in pyrolysis which is used to make low quality heating oil. So, as price of crude goes up, end-of-life tyre prices also goes up.
- **What is our revenue generation from premium products like crumb rubber modifiers and micronized rubber powder?** We are generating around 15% of our topline revenue from micronized rubber powder and around 20-22% from crumb rubber modifiers.
- **What are the capex plans of the company?** In the coming year, we will do a capex of max INR 7 Cr and it is planned from the internal accruals. We may take a call about setting a new plant in H1 next year but that decision will be made keeping in mind the efficiency. We might setup one large plant by consolidating two smaller plants. If that happens, we might do more capex than planned INR 7 Cr where we will spend more approx. INR 15 Cr.
- **What is the asset turnover from us? What is the per ton capacity addition cost?** We get approx. 2x to 3x asset turnover. For setting up a plant of 10,000-12,000 ton per annum capacity, rough capex required is INR 15-20 Cr.

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