

Service Long March Tyres Limited - IPO



We recommend subscribing to the IPO at PKR 14.25-19.95.

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We recommend subscribing to Service Long March Tyres Limited at the price of PKR 14.25-19.95/share, as its premium valuation appears justified by strong fundamentals. At the floor price, SLM trades at a P/E of 8.76x and P/B of 3.56x, above peer averages; however, its ROE of 40.61% (TTM) significantly exceeds both its cost of equity of 17.16% and peer ROE of 6.11% (TTM), indicating strong value creation. Robust revenue growth, margin expansion, rising EPS, and its unique position as the only dedicated domestic TBR tyre manufacturer support the investment case, while leverage remains a key risk.

Company Overview

SLM is engaged in the manufacturing, marketing, sale, and export of radial tyres for commercial and industrial applications. The Company's primary product line comprises Truck and Bus Radial (TBR) tyres, engineered to meet the demands of heavy-duty transport and industrial operations across logistics, public transportation, infrastructure development, and allied sectors.

To broaden its product portfolio and capture opportunities in the passenger vehicle segment, the Company is planning to establish a dedicated Passenger Car Radial (PCR) tyre manufacturing facility. This strategic expansion reflects SLM's commitment to diversifying its revenue base and strengthening its position across multiple tyre categories.

The Company operates as part of the Servis Group ("SG"), a leading industrial conglomerate in Pakistan. Within this Group structure, Service Industries Limited ("SIL") serves as the flagship entity and holding company, providing strategic oversight and governance across its subsidiaries.

SLM also exports its products to several international markets, with the United States and Brazil serving as key destinations for its truck and bus radial tyres.

Purpose of the Issue

The Company intends to raise proceeds of PKR 5,553,767,042/- through this Initial Public Offering at a Floor Price of PKR 14.25/- per share. The proceeds will be utilized to partially finance the establishment of a dedicated Passenger Car Radial ("PCR") tyre manufacturing facility, marking a key milestone in the Company's expansion strategy.

Issue details

The Offer comprises 389,738,038 Ordinary Shares of SLM having face value of PKR 2/- at Floor Value of PKR 14.25/- each (including premium of PKR 12.25/- per share), which constitutes 5% of the Post-IPO Paid-up Capital of the Company. Seventy-five percent (75%) of the entire Issue size i.e., 292,303,528 shares will be offered through Book Building Method at a Floor Price of PKR 14.25/- per share, with a maximum price band of up to 40% (i.e., PKR 19.95/- per share). The Strike Price shall be the price at which seventy-five percent (75%) of the Issue is subscribed under the Book Building process. The remaining twenty-five percent (25%) of the Issue, i.e., 97,434,510 ordinary shares, will be offered to Retail Investors through the General Public portion at the Strike Price determined through the Book Building process.

Key Statistics

Key Statistics				
Company Name	Service Long March Tyres Limited			
Floor Price	14.25			
Upper Band of Floor Price	19.95			
Book Building Dates	18-19 May 2026			
IPO Dates	03-04 June 2026			
Size of Issue	389.7 million Ordinary Shares			
Free Float	5.00%			
Shariah Compliant Status	Shariah compliant			
Pre-IPO No. of Shares (mn)	7,405.02			
Post-IPO No. of Shares (mn)	7,794.76			
	FY23	FY24	FY25	6MFY26
Sales (Rs. Bn)	16.116	37.947	49.840	33.592
Sales Growth		135%	31%	-
GPM	9%	25%	22%	25%
NPM	-3%	14%	20%	19%
EPS	-0.09	0.75	1.40	0.88
Competitors	P/E	P/B		
PTL	8.01	0.95		
BWHL	6.72	1.11		
AGIL	6.92	0.92		
Average	7.22	0.99		
SLM	8.76	3.56		
(Discount)/Premium	12.5%	-		

Sources: ACPL Research, IPO Prospectus, PSX

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Utilization of Proceeds

Particulars	Cost (PKR)	Percentage
Plant & Machinery		
Curing Workshop	1,255,000,000	22.60%
Component Workshop	832,000,000	14.98%
Assembly Workshop	658,000,000	11.85%
Mixing & Compounding Workshop	555,000,000	9.99%
Utilities & Central Services Equipment	202,352,900	3.64%
Others & Contingency	163,647,100	2.95%
Total Expenditure on Plant & Machinery	3,666,000,000	66.01%
Building and Construction Cost		
Civil Works	1,751,267,042	31.53%
Mechanical, Electrical & Plumbing (MEP) Works	136,500,000	2.46%
Total Expenditure on Building and Construction Cost	1,887,767,042	33.99%
TOTAL	5,553,767,042	100.00%

Sources of Funding

Source of Funding	Funds	Contributions
	PKR	%
Long-Term Loan	11,280,000,000	50%
Internal Cash Generation	5,726,232,959	25%
IPO Proceeds*	5,553,767,042	25%
Total	22,560,000,000	100%

Pattern of Significant Shareholding

Names	Pre-IPO Shareholding		Post-IPO Shareholding	
	No. of Shares Held	%	No. of Shares Held	%
Service Industries Limited	1,582,698,295	21%	1,582,698,295	20%
Chaoyang Long March Tyre Company Limited	3,152,500,000	43%	3,152,500,000	40%
Service Global Footwear Limited	1,354,858,520	18%	1,354,858,520	17%
Service Tyres (Private) Limited	716,477,275	10%	716,477,275	9%
Mr. Shabir Ahmad	377,238,635	5%	377,238,635	5%
Sub – Total	7,183,772,725	97%	7,183,772,725	92%

Business Model

The company’s business model is centered on localized manufacturing and progressive backward integration, supporting import substitution in a segment traditionally dominated by foreign brands. Backed by international raw material sourcing, standardized production processes, and strict quality controls, SLM ensures consistent, durable, and reliable products for commercial fleets, logistics operators, public transport, and infrastructure-related industries where efficiency and lifecycle cost are key purchasing factors.

Financial Performance

From a financial performance perspective, the Company has demonstrated strong and sustained growth momentum since the commencement of operations. Revenue increased significantly from PKR 16,116.02 million in FY2023 to PKR 37,947.62 million in FY24, and further to PKR 49,840.19 million in FY2025, reflecting a year-on-year growth of approximately 135.47% in FY24 and 31.34% in FY25. Over the FY23–FY25 period, the Company achieved a robust revenue CAGR of approximately 75.86%, and reported a revenue of 33,592.02 million in 1HFY26, underscoring the rapid scale-up of operations and strong market acceptance. The substantial growth trajectory has primarily been supported by higher sales volumes, improved capacity utilization, and deeper penetration across both domestic and export markets. Furthermore, the Company’s earnings profile has improved substantially over the review period, as reflected in the strong growth in Earnings Per Share (EPS). EPS increased from a negative PKR (0.07) in FY23 to PKR 0.72 in FY24, and further to PKR 1.35 in FY25, representing a year-on-year growth of approximately 87.50% in FY2025. Furthermore, the Company reported an EPS of PKR 0.88 during 6MFY26; if annualized, this translates into an estimated EPS of approximately PKR 1.76, implying a potential increase of around 30.37% over FY25.

Furthermore, the Company’s profitability profile improved significantly over the review period, supported by notable expansion in both gross and net profit margins. Gross profit margin increased from 9% in FY23 to 25% in FY24, before slightly moderating to 22% in FY25 and subsequently improving to 25% in 1HFY26, reflecting enhanced operational efficiency and better absorption of fixed costs. Similarly, net profit margin improved from negative (3%) in FY23 to 14% in FY24, and further to 20% in FY25, before marginally declining to 19% in 1HFY26. Despite the slight moderation, net margins remained at strong levels, highlighting the Company’s successful transition toward sustained profitability, supported by robust revenue growth and effective cost management.

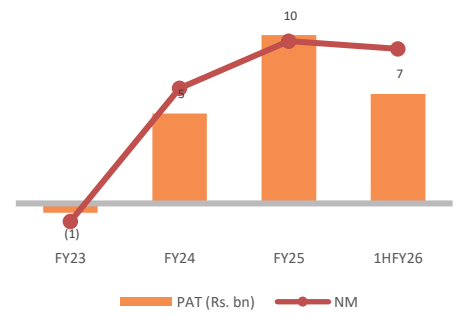
Valuation

At the floor price of PKR 14.25, Service Long March Tyres Limited is valued at a P/E multiple of 8.76x, implying a modest premium of approximately 12.5% over its selected peer average P/E of 7.22x. At the upper price band of PKR 19.95, the stock trades at a P/E of 12.23x, representing a steeper premium of nearly 37% relative to peers. While the valuation appears elevated on a relative earnings basis, the premium is supported by the company’s superior profitability profile and stronger return metrics.

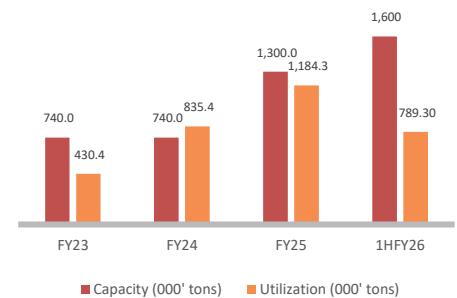
On a balance-sheet basis, the company trades at a P/B multiple of 3.56x, significantly above the peer average of 0.99x. However, this valuation is underpinned by a robust ROE of 40.61% (TTM), substantially exceeding both its estimated cost of equity of 17.16% and the peer average ROE (TTM) of 6.11%. The company’s ability to generate returns well above its cost of capital indicates meaningful value creation and justifies the higher valuation multiples.

Furthermore, according to the Company’s published DCF valuation analysis, the estimated fair value of the share has been derived at PKR 25.63 per share.

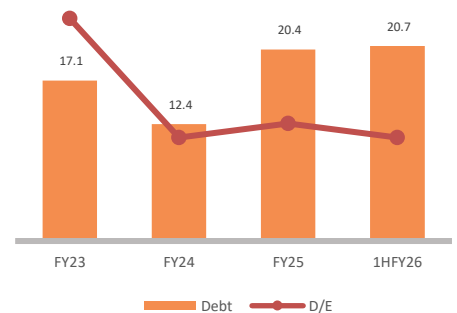
PAT (Rs'bn) vs Net Margin



Capacity vs Utilization



Debt (Rs'bn) vs D/E



Peer Comparison	SLM*	GTJR	PTL	BWHL	AGIL
# of Shares (Mn)	7794.76	121.93	168.00	13.33	36.00
Share Price	14.25	27.13	51.41	197.15	171.24
EPS	1.63	(6.43)	6.42	29.35	24.75
BVPS	4.01	52.44	54.16	177.50	186.49
P/E	8.76	n/a	8.01	6.72	6.92
P/B	3.56	0.52	0.95	1.11	0.92

Capital Structure

The company's leverage profile remains moderately elevated, with a debt-to-equity ratio of 0.66x and debt-to-total capital of 40%. While the capital structure is not excessively stretched, the relatively higher reliance on debt exposes the company to interest rate risk. Any upward movement in borrowing costs may increase finance costs, exert pressure on net profitability, and directly weigh on EPS.

Competitive Edge

SLM's key competitive edge lies in its unique positioning as the only dedicated domestic manufacturer focused on truck and bus radial (TBR) tyres, a segment historically served largely through imports. Unlike local peers with diversified tyre portfolios, SLM's specialized focus enables deeper technical expertise, consistent product quality, and tailored solutions for commercial vehicle operators. This provides the company with a strong first-mover advantage in localizing TBR tyre production, supporting import substitution and improving product availability for domestic customers. Backed by its manufacturing capabilities, service-oriented distribution network, and planned capacity expansion into additional tyre segments, SLM is well-positioned to capture rising demand for high-quality radial tyres. Furthermore, investments in sustainable energy initiatives, including solar and wind power, are expected to enhance cost efficiency and strengthen its long-term operational competitiveness.

SLM holds a unique strategic position as Pakistan's sole enterprise granted Special Economic Zone status by the Board of Investment, along with recognition as a Greenfield Industrial Undertaking by the FBR. These designations highlight its role in industrial development, foreign investment, and import substitution, while providing fiscal and regulatory benefits including tax concessions until June 30, 2032, duty exemptions, and streamlined procedures. These incentives support cost efficiency, operational competitiveness, and stronger export positioning.

Investment Thesis

We recommend subscribing to Service Long March Tyres Limited at the price of PKR 14.25 - 19.95/share, despite the stock trading at a modest premium to peers on both P/E and P/B multiples. At the floor price, the company is valued at a P/E of 8.76x, above the selected peer average of 7.22x, while its P/B of 3.56x is also significantly higher than the peer average of 0.99x; however, this premium appears fundamentally justified by SLM's superior return profile, with ROE of 40.61% (TTM) substantially exceeding both its cost of equity of 17.16% and peer average ROE of 6.11% (TTM), indicating strong value creation and efficient capital utilization. The investment case is further supported by SLM's rapid financial scale-up, strong revenue growth, improving margins, and rising EPS, reflecting successful capacity utilization, export penetration, and operating leverage. Strategically, the company benefits from a unique competitive position as the only dedicated domestic TBR tyre manufacturer, providing import substitution potential, pricing resilience, and long-term market share expansion opportunities. The planned PCR facility also adds a credible diversification and growth avenue. However, the moderately leveraged capital structure, with debt-to-equity of 0.66x and debt-to-total capital of 40%, remains a key risk, as higher interest rates could pressure finance costs and EPS. Overall, at the floor price, SLM offers a compelling growth-plus-quality proposition, where premium valuations are supported by strong fundamentals, superior ROE, and a defensible competitive edge.

Key Risks

- Supply chain
- Inflation
- Financial Leverage
- PCR Project Technology Risk
- Grey Market

Note: The subscription recommendation has been made based on our analysis and review of the Company's prospectus, which is publicly available on the official website of Pakistan Stock Exchange.

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DEFINITION OF TERMS

TP	Target Price	CAGR	Compound Annual Growth Rate	FCF	Free Cash Flows
FCFE	Free Cash Flows to Equity	FCFF	Free Cash Flows to Firm	DCF	Discounted Cash Flows
PE	Price to Earnings Ratio	PB	Price to Book Ratio	BVPS	Book Value Per Share
EPS	Earnings Per Share	DPS	Dividend Per Share	ROE	Return of Equity
ROA	Return on Assets	SOTP	Sum of the Parts	LDCP	Last Day Closing Price

VALUATION METHODOLOGY

To arrive at our Target Price, Abbasi & Company (Private) Limited uses different valuation methods which include:

- I. Discounted Cash Flow Model
- II. Dividend Discount Model
- III. Relative Valuation Model
- IV. Sum of Parts Valuation

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BUY	Greater than 15%
HOLD	Between -5% to 15%
SELL	Less than and equal to -5%

Sector Rating	Sector Outlook
Overweight	Positive
Market Weight	Neutral
Underweight	Negative

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